Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 75
Bahrain	Din.0.650	Italy	L 1700	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y500	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pts 130
Cyprus	Mils 600	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 5.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.00
Finland	Fmk 5.60	Malaysia	Rin 4.25	Taiwan	NT $35
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 160
Greece	Dr 60	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,269 — Monday March 12 1984 — D 8523 B

Countdown to the crucial Brussels summit, Page 16

NEWS SUMMARY

GENERAL

Another Hart win against Mondale

Senator Gary Hart gained another win over former Vice-President Walter Mondale in the contest for the Democratic nomination for U.S. presidential election. He scored 60 per cent of the vote in the Wyoming caucuses, to Mondale's 38.

A CBS-New York Times poll gave Mr Hart a lead over Mr Mondale among Democrats nationally, showing him as having 38 per cent support against Mr Mondale's 31 per cent.

Tomorrow provides a crucial test when nine state Democrat primaries and caucuses will be held. Page 18

Libya accused

Britain summoned representatives of the Libyan People's Bureau to the Foreign Office to tell them of its displeasure at the weekend bombings in London, one of which injured more than 20 people at a club. Chad accused Libya of being behind the bombing that injured 25 people and destroyed a DC-8 of the French airline UTA at N'Djamena airport.

Syria reshuffle

Syrian President Hafez Assad appointed three vice-presidents and formed a new Cabinet headed by Prime Minister Abdel Raouf al-Kasm. Foreign Minister Abdul Halim Khaddam becomes first vice-president for political and foreign affairs and Assad's brother Rifaat second vice-president. Third is Mohammed Zuhair Masharqa, regional under-secretary of the Ba-ath Party.

South African blazes

Explosions set five petrol tanks ablaze at a Mobil Oil depot at Ermelo, 180 km (110 miles) east of Johannesburg. Page 18

Gunman killed

Bordeaux police shot dead a gunman, a member of the "Yugoslav Gang" who was trying to steal a helicopter in a prison breakout. Two accomplices escaped by car.

Macmillan's son dies

Lord (Maurice) Macmillan, Conservative MP and son of UK former Premier Harold Macmillan, who was made an earl at the New Year, died, aged 63, after a heart operation. There are now four by-elections pending for the House of Commons. Page 8

Mexican brush-up

Mexico's ruling Institutional Revolutionary Party has launched a top-level reorganisation in what is seen as an attempt to improve its image. Chairman Adolfo Lugo Verduzco recently admitted there was corruption at the top.

Ethiopia snubs talks

Ethiopia, accusing the U.S. of airlifting arms on a large scale to Sudan, said it would not attend talks aimed at easing tension with Sudan. They are to start in Nairobi today.

Mandela refuses

Jailed South African black nationalist Nelson Mandela has refused an offer of freedom that was conditional on his living in a black tribal homeland, said his lawyer.

Seamen die in fire

Three seamen died when a fire swept the Liberian-registered freighter Devonshire in the East German port of Rostock yesterday.

Escape by biplane

Two Czechs sought political asylum in Austria after flying low across the border in an old Soviet-made biplane of a type used spraying crops.

BUSINESS

Hong Kong cuts its prime to 8.5%

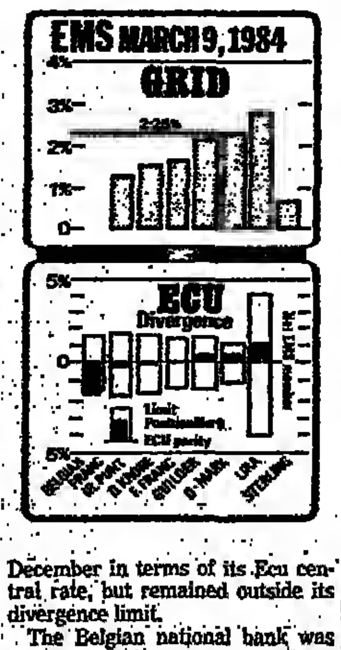
HONG KONG'S banks cut local interest rates by 1.5 percentage points, lowering the prime rate to 8.5 per cent, the territory's lowest since November 1978 and the fourth cut this year. Page 18

GREEK-SOVIET joint alumina plant worth $450m is to go ahead in Greece, using local bauxite. Page 4

THE BELGIAN franc improved within the European Monetary System last week to its best level since December in terms of its Ecu central rate, but remained outside its divergence limit.

The Belgian national bank was again active in currency markets, helping to support the franc against the strengthening D-Mark.

For most of the week it was quoted close to its cross-rate limit, but there was little real downward pressure. That was highlighted by a reduction in the gap between the Belgian convertible franc and the free-floating financial franc.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TEN JAPANESE semiconductor makers are to spend more than Y500bn ($2.26bn) on new equipment this year to meet fast growing demand. Page 4

INTEL, the U.S. microprocessor maker, has recruited Advanced Micro Devices to help it meet rising demand for its most popular micro chip. Page 20

CRA, the Australian mining and metals group has taken a large stake in Maximilianhütte, the Bavarian subsidiary of West German steel group Klöckner. Page 20

UK CHANCELLOR of the Exchequer Nigel Lawson will tomorrow give an encouraging picture of Britain's prospects in his budget speech, forecasts Max Wilkinson. Page 7

WEST GERMAN Government has hit back strongly at the unions' campaign for a 35-hour week. Page 18

WILTON-FIJENOORD shipyard sit-in at Schiedam, outside Rotterdam, in protest against planned redundancies, is threatening a takeover by the Damen group. Page 3

BRITISH RAIL wants to build about 25 140 mph (224 km/h) locomotives at a cost of £30m ($44m) to £40m.

CLUB MÉDITERRANÉE, the leading French holiday operator, improved consolidated profits 22 per cent at FFr 213m ($27m) in the year ended October. Page 20

WALL STREET has caught inflation jitters, says economics writer Samuel Brittan in a special feature article, Page 17

Paris offers farm price cuts in bid for EEC accord

BY JOHN WYLES IN BRUSSELS

France yesterday suggested price cuts of 1 per cent to 1.5 per cent on a range of farm products other than milk in a hesitant attempt to encourage outline agreement on agricultural prices and reform in advance of next Monday's summit of EEC heads of government.

The French proposal would leave the Ten spending Ecu 1bn ($840m) more than the Ecu 16.5bn allocated to agriculture in the EEC's 1984 budget.

Any agreement along these lines would therefore add to the summit's already formidable problems by posing the question of how to fund the farm budget.

The UK, with some support from the Netherlands and West Germany, is insisting that no more money can be made available because the EEC is this year spending all of the revenues to which it is legally entitled.

Nevertheless the proposals, tabled by M Michel Rocard, the French Farm Minister and President of the Council of Ministers, were regarded by all his fellow agriculture ministers yesterday as the basis for negotiations which were expected to continue through the night.

M Rocard's approach aims for some genuine economies through a broadlybased price reduction. But these savings would be used to finance more expensive plans for dealing with dairy surpluses and monetary compensatory amounts (MCAs) than those submitted by the European Commission.

The plan predicts that spending would come out at Ecu 223m above the Ecu 16.5bn in the budget before adding the costs – possibly about Ecu 600m – of the complex proposals for phasing out MCAs, the border taxes and subsidies designed to even out the effects of currency movements.

With all member states manifestly anxious to avoid another summit failure next week, M Rocard will report the farm ministers' progress to the EEC's Council of Foreign Ministers this morning. Suspicions remain strong that most of the farm ministers want to avoid responsibility for imposing hardship measures on farmers and that they want foreign ministers and, possibly, the summit to say what more is required.

Mr Michael Jopling, Britain's Agriculture Minister, welcomed the Rocard paper as "a good shot." While finding plenty of details to quarrel with and stressing the need "to keep within the money available," he thought M Rocard had taken "a very careful measure" of views expressed during last week's farm ministers' meeting.

Mr Jopling left the impression that he was under instructions from Mrs Thatcher, the Prime Minister, to argue for staying within the budgetary ceiling

Other ministers will be very reluctant to accept the Rocard strategy on prices, which contrasts with Commission proposals for prices rises on an average 0.8 per cent. The French plan leaves the milk price frozen but would take 1 per cent off the prices of common wheat, barley, rye, maize, sugar and olive oil and 1.5 per cent off beef, veal and pigmeat.

M Rocard is suggesting a 98.5m tonnes quota on milk – compared with 97.2m tonnes favoured by the Commission – and a degree of flexibility in its application which appears too generous to win approval from the UK and the Netherlands.

Crucial summit, and Editorial comment, Page 16

Tenneco prepares to raise Poclain stake

BY DAVID MARSH IN PARIS

TENNECO, the U.S. energy group, is poised to increase its 40 per cent stake in Poclain, the troubled French construction equipment manufacturer, as part of a new rescue deal for the company which might total around FFr 500m ($63m).

Officials from nationalised banks, which already own 25 per cent of Poclain, and from the French treasury, attended a meeting at the weekend to try to work out a financial solution for the excavator manufacturer. It announced last week it was calling on shareholders for its second large cash injection in 12 months following net losses of FFr 198m in 1983 and FFr 283m in 1982.

Poclain is also seeking further redundancies at its French plants and, as part of its overall streamlining plans, is searching for bidders for its mobile cranes subsidiary, PPM, which has annual sales of around FFr 800m. The company is looking either for partners or an outright buyer for the cranes business following a 40 per cent slump in the domestic French market last year.

Details of the financial package have not yet been worked out. But industrial sources said Poclain was seeking to accomplish as quickly as possible a capital write-down and a subsequent equity increase by FFr 260m up to a maximum FFr 465m.

Tenneco, which bought its stake – held through its Case construction and farm machinery arm – in 1977, is expected to increase its share to about 45 per cent, but will stop short of taking majority control.

Poclain's bankers, led by Crédit Lyonnais and Crédit du Nord, are also expected to increase their 25 per cent stake although they are generally reluctant to tie up equity in struggling companies. Poclain is also seeking rescheduling of debts of about FFr 250m

Poclain received FFr 680m in loans and equity from shareholders and banks early last year, but this has proved inadequate to cope with the continued erosion of its business.

Tenneco has been making clear to the French finance and industry ministries that it sees a strong future for Poclain only if sufficient capital is made available to back the company's industrial refurbishment plans. These include bringing in robots and automated production processes. Other public-sector investors which could play a role, apart from the banks, include the state-owned financial institution Caisse des Depots.

Two British banks plan links to leading stock market firms

BY JOHN MOORE AND DAVID LASCELLES IN LONDON

BARCLAYS BANK, Britain's largest retail bank, is planning a link with Wedd Durlacher Mordaunt, the largest stockjobber or market maker on the London Stock Exchange. The move, expected to be announced today, will mark an important realignment in the financial community and a new phase in London's financial services revolution.

At the same time the bank will also announce its intention to form a link with de Zoete & Bevan, one of the 10 largest stockbrokers in the London stock market. It will be the first time during the present upheaval in regulating London securities dealings that a three-way deal between a clearing bank, a jobber and a broker has been organised.

It also emerged yesterday that another of the big banks – Midland, through its merchant banking subsidiary, Samuel Montagu – was negotiating to buy a 29.9 per cent stake in W. Greenwell, one of the top London stockbrokers, which has specialised in dealing in UK government securities.

The changes now under way were stimulated by proposals to allow greater competition in the stock market, agreed between the stock exchange and the UK Government last summer.

All member firms of the London Stock Exchange face considerable commercial pressure following the exchange's agreement with the Government under which minimum scales of commission on securities transactions are to be abandoned by the end of 1986.

Stock exchange firms are seeking partners to provide them with capital that will enable them to compete and maintain their positions in more competitive markets.

Mr James Titcomb, senior partner of de Zoete & Bevan, said yesterday that the Barclays plan would "create an integrated securities firm following the Government's decision that commissions on transactions must be negotiated in the future."

In the proposed Barclays deal, it is expected that the bank will seek to take the maximum permissible stake in the jobbing firm under stock exchange rules, of 29.9 per cent. As and when the rules are relaxed regarding the ownership of member firms by outsiders, the bank will seek to acquire a controlling interest.

Barclays is expected to announce that it is intending to form a link with de Zoete & Bevan once the rules are eased. At present, outsiders are not permitted to own more than 29.9 per cent of any one firm.

Most of the 55 partners of Wedd Durlacher met yesterday in the firm's City of London headquarters to approve the final proposals.

The changes are likely to be welcomed by the country's central bank authorities. Last week Mr Robin Leigh-Pemberton, Governor of the Bank of England, welcomed the strengthening of British-owned securities trading groups and warned that he would not be happy with a stock exchange in which British-owned member firms played a "subordinate role."

Background, Page 8

U.S. court drops Iran charge against Marc Rich

By Paul Taylor in New York and John Edwards in London

THE U.S. courts have dropped one of the key charges against the Swiss-based Marc Rich commodity group because of a legal loophole. The group still faces other serious charges, including tax evasion, fraud and racketeering, however.

The trial on those charges, which include the alleged evasion of $48m in U.S. taxes, has now been postponed from March 27 to May 16 because of the complexity of the case and the number of pre-trial motions submitted by defence lawyers which have yet to be decided.

Under the initial Grand Jury indictment, delivered last September, Marc Rich AG, the Swiss-based parent group, and Marc Rich and Company International, the commodity trading group's U.S. subsidiary, now called Clarendon, were also charged with conducting business with Iran during the U.S. hostage crisis.

Those charges, seen by lawyers for the two companies as some of the more emotive in a 51-count indictment, have now been dropped because the rules banning trade with Iran during the 1980 hostage crisis specifically excluded foreign-based companies.

Mr Marc Rich and his colleague Mr Pincus Green have also been charged with illegal trading with Iran during the hostage crisis but are thought unlikely to return to face trial in the U.S. Both men are believed to be in Switzerland and have failed to respond to arrest warrants issued in the U.S.

A federal judge in New York is due to rule in the next couple of weeks on the wide range of pre-trial motions submitted by defence lawyers during two days of hearings at the end of last week.

The case, said by U.S. prosecutors to be "the largest tax evasion scheme ever prosecuted," revolves around a complex series of oil trading deals in 1980 and 1981 said to involve more than $100m in taxable income which the companies are accused of concealing from the U.S. tax authorities.

The Marc Rich group has already paid more than $11m in fines for refusing to hand over documents to the U.S. courts. The case has led to disputes between the U.S. and Swiss authorities over jurisdiction and to a wave of pre-trial publicity, which U.S. prosecutors have blamed on the actions of the defendants.

Meanwhile the group remains active in the world metals and oil

Continued on Page 18

Baldrige hits out at ban on steel merger

BY TERRY DODSWORTH IN NEW YORK

MR MALCOLM BALDRIGE, the U.S. Commerce Secretary, has added more fuel to the smouldering row over the Government's steel industry merger policy in a scathing attack on the Justice Department.

In an article published by The New York Times yesterday, Mr Baldrige describes the department's decision to block the proposed merger of LTV and Republic Steel as a "world-class mistake for the U.S."

The article goes on to accuse the department's anti-trust officials of building a "legal model of a fairyland world" that ignores the international arena of "global guerrilla skirmishes, sometimes spilling over into major economic warfare."

Behind Mr Baldrige's colourful language lies an intensifying campaign to twist the Justice Department's arm in its negotiations with the two companies on possible ways of revising the original merger proposals. Only last week, President Ronald Reagan let it be known that he *fully supported* the *Commerce* Department, saying that in his view there were no "monopoly" dangers in the transaction.

The attack on the Justice Department derives from a crucial difference of opinion over restructuring in mature industries. In its detailed rejection of the LTV-Republic proposals, the department used a clearly defined formula to show that the merger would produce a big increase in market concentration in several products, including half the stainless steel sector.

Mr Baldrige argues that in some industries like steel, "It is impossible to restructure successfully – to lower costs and increase productivity – without merging."

If the mergers do not take place, he adds, the industry will be forced to push for completely protected home markets or some form of government subsidy, weakening its ability to compete, raising prices, increasing inflation and burdening consumers. "None of these results is in the national interest," he concludes.

His argument was given added piquancy last week when U.S. Steel, the largest of the country's steel companies, abandoned its agreed takeover of National Intergroup's steel activities and immediately called for support for Congressional action to limit all imports to 50 per cent of U.S. requirements.

So far Mr Paul McGrath, head of the Justice Department's anti-trust division, has taken these criticisms from within the Administration calmly, while making clear that he is willing to discuss ways of changing proposed agreements to comply with the regulations. The result of the talks on such adjustments in the LTV-Republic case will be watched closely to see how far the department has been willing to go to meet the Commerce Secretary's criticism.

Brazil steel faces shut-out in U.S.

BY NANCY DUNNE IN WASHINGTON

BRAZILIAN steel is likely to be eliminated from the U.S. market after the failure of the two countries to agree on quotas and a Commerce Department ruling against Brazil for dumping.

The collapse of talks last week will be a heavy blow to Brazil, the world's largest debtor nation. The U.S. is its largest steel market and Brazil had been hoping to boost export earnings there to $700m this year from its 1982 earnings of $420m.

Brazil supplies about 5 per cent of total U.S. steel imports, but its penetration has been rising quickly, from 487,000 tonnes in 1982 to 814,000 tonnes last year. The country has been under pressure from the International Monetary Fund to increase its exports.

The quota negotiations took place in the protectionist atmosphere of a U.S. election year and broke down with both sides far apart. The Reagan Administration is reported to have offered Brazil a quota of a quarter of its exports last year, half the amount that Brazil had been thought likely to accept. It offered to reduce its exports by about a third to 540,000 tonnes and would have gone lower.

The aim was to negotiate an orderly import system like that arranged with the EEC. Brazil, however, refused to set a precedent by

Continued on Page 18

CONTENTS

Moscow praise for Syrian role

MR GEIDAR ALIYEV, a senior member of the Soviet Politburo and first deputy chairman of the Council of Ministers, held a second day of talks with Syrian leaders yesterday, after publicly pledging continued support for the regime of President Hafez al-Assad, our Foreign Staff writes.

At a banquet given in his honour in Damascus, Mr Aliyev repeatedly paid tribute to Syria's role in countering American influence in the Middle East and in particular humiliating the U.S. in Lebanon.

● Arab foreign ministers look set to hold an emergency meeting in Baghdad tomorrow to discuss the latest escalation in the Gulf War.

According to Iraq's official news agency, 15 of the 22 members of the Arab League have agreed to attend the meeting "to deal with the grave situation which threatens the whole Arab region."

Meanwhile, both Iran and Iraq reported continued fighting around the Majnoon oilfield in south-east Iraq at the weekend. Iran said yesterday that it had crushed the latest Iraqi attempt to retake Majnoon island but there was no official confirmation from Iraq and diplomats in Baghdad said the Iraqis appeared to have Iranian forces surrounded on three sides. Casualties were reported to be high, even by the standards of the Gulf War.

Lausanne musters fortifications for second Mid-East gathering

BY ANTHONY McDERMOTT IN LAUSANNE

LEADERS OF most of the eight political and religious factions taking part in the second round of the Lebanese National Reconciliation Conference had arrived in Lausanne by midday yesterday. President Amin Gemayel was expected to arrive later the same day from Nice.

The conference, which was to be preceded by informal talks, is due to open officially today. The first round ended in Geneva after five days of talks last November 4.

Saudi Arabia and Syria, which have played key roles in mediating between the different Lebanese parties, are present as observers. On arrival, most party leaders expressed optimism about the outcome of the conference. A notable exception was Mr Walid Jumblatt, the Druze leader. Mr Jumblatt expressed scepticism about anything worthwhile emerging from the talks and has been consistently critical of Mr Gemayel, who is to chair proceedings.

The setting of this conference and the extraordinary security precautions around it could hardly be in greater contrast. The Beau Rivage Hotel first opened its doors to guests in 1861, and overlooks the lake of Geneva. It has a timeless elegance personified by the six elderly ladies who placidly played bridge on Saturday afternoon in the main saloon, while security police subjected visitors to stringent body searches.

Outside, terraces and garage entrances are ringed by rolls of barbed wire and police armed with machine guns are on patrol. Some 800 police have been mobilised, including anti-terrorist squad units. There is a sandbagged pillbox at the main hotel entrance together with mobile spiked strips to deter would-be bombers from driving up. Three huge green-coloured steel walls on wheels—looking like misplaced cricket sight screens—stand in front of the conference hall windows to protect the negotiators against rocket assaults. The erstwhile genteel hotel has temporarily been transformed into a fortress.

Lebanese leaders harden positions before conference

BY NORA BOUSTANY IN BEIRUT

LEBANESE LEADERS, who resume their national reconciliation conference in Lausanne, Switzerland, today, have to tackle three general issues: political reform at home, the formation of a new cabinet and the withdrawal of Syrian and Israeli forces from Lebanese territory.

The fear here is that their meeting will result not in an effective dialogue but in a series of monologues. Before the departure for Lausanne of Lebanon's eight most important political leaders, it was already evident that no common ground had been reached even between allies on the same side of the fence.

In consequence the best outcome political analysts here are hoping for is some sort of military and political truce—not an overall settlement.

In the past week, participants invited to Lausanne, the same who met early last November at Geneva, have hardened their positions on crucial issues in preparation for the tough bargaining ahead.

Moslem and Druze opposition figures such as Mr Walid Jumblatt of the Druze and Mr Nabih Berri head of the Shi'ite Amal movement, appeared more or less agreed on basic demands. In addition to the abolition of political confessionalism — the distribution of key posts along sectarian lines—they were reported to be seeking a radical restructuring of the Lebanese army so it may not be dragged into internal conflicts.

The Druze working paper of Mr Jumblat's Progressive Socialist Party is also pressing for a "trial of Lebanese officials for what happened in the southern suburbs and the mountains."—a reference to last month's fighting between the army and anti-government forces.

The militant "Lebanese Forces," the alliance of Christian militias, announced last week that they were not concerned with the Lausanne conference since they are not officially represented on it.

The political consultant, Mr Karim Pakradouni, dropped a bombshell last weekend, when he called for the cantonisation of Lebanon, its partitioning into the several states with independent administration councils and armies.

Commenting on the idea of a federation in Lebanon, Shi'ite leader Mr Berri said: "If that is the case, let them prepare themselves for another 90 years of war."

The Shi'ite community, Lebanon's poorest and largest, dislikes a system of cantons which would leave it undeveloped compared to other communities. Some Druze officials, however, have indicated that they are not totally opposed to such an arrangement.

PHALANGE RADIO reported yesterday afternoon that the "Lebanese Front" working paper at the Lausanne talks proposes that Lebanon be made into a federal Arab republic, divided into provinces. Decision-making on foreign, defence, monetary and financial affairs should be made at province level. Each would be headed by a governor and an executive council.

The Christian community, fearful of being dominated by a Moslem majority, is now opting for a federal system which would allow it some autonomy in administration and foreign affairs. There is a real fear of a Syrian army or Moslem militia push into Christian-controlled areas.

President Amin Gemayel, who will be chairing the national conference, and who is said to be carrying with him a revolutionary programme, is due to propose administrative decentralisation and a special body for economic and social reforms.

Among new introductions into the Lebanese formula of co-existance, suggested by various parties, are the formation of a senate in addition to Lebanon's unicameral chamber that would provide for a wider representation of the many religious groups.

Another demand, on which there is agreement is that the prime minister should be elected by parliament. Under Lebanon's traditional system agreed upon in the national charter, a gentlemen's agreement reached in 1943 among the various groups, the President is a Maronite Christian, the Prime Minister a Sunni Moslem appointed by the President, and the Speaker of the House is Shi'ite Moslem.

The former President, Mr Suleiman Franjieh, and Prime Minister Rashid Karami, both members of the opposition National Salvation Front, with Mr Berri and Mr Jumblat, are said to be against the latters' request for the abolition of political confessionalism, at least for the three top posts. There is a considerable generation gap of at least 30 years between Mr Franjieh and Mr Karami on the one hand and the younger Mr Berri and Mr Jumblat on the other.

Mr Camille Chamoun, a former Christian president, and Mr Pierre Gemayel, head of the Phalange, members of the Christian alliance of the "Lebanese Front" declared before leaving that they would not concede an amendment of the Lebanese constitution now being challenged.

Nkomo plea over food for rural curfew area

By Tony Hawkins in Bulawayo

THE ZAPU opposition leader Mr Joshua Nkomo yesterday accused the Mugabe Government of withholding food supplies from the curfew area of southern Matabeleland. Mr Nkomo, addressing his first major rally in Zimbabwe for nearly two years, was accorded a tumultuous welcome by a crowd estimated by police at more than 45,000 people, suggesting he has lost little of his popular support in Matabeleland.

The 66-year-old Ndebele leader said the curfew was intended to starve dissidents in the area. He added: "The people in rural areas cannot differentiate the dissidents from the Fifth Brigade — a reference to North Korean trained troops being used against bandits in the area.

Mr Nkomo said he was disturbed by many things happening in southern Matabeleland—a reference to repeated reports of brutality by the security forces against the civilian population and persistent reports from storekeepers that food supplies are not being allowed into the curfew area. Diseases of malnutrition were rife, said Mr Nkomo, and there were cases of women and children dying from starvation. "To deny these people food is to deny them their right to life," he said.

Government statements have admitted that for the third successive year the drought in Matabeleland has been extremely serious, with the maize crop, the staple food, written off throughout the area.

The curfew was imposed five years ago as part of the government campaign against the dissidents who claim to support Mr Nkomo and the Ndebele minority. In his speech the ZAPU leader denounced and disowned the dissidents, describing repeated allegations by Government ministers that he was "the father of the dissidents as silly and stupid."

He told the rally that he still had no response from the Government to the allegations he made in Parliament last month that six civilians had been murdered by the security forces. He had since given Government ministers details of three schoolgirls abducted by the Fifth Brigade, he said.

Mr Nkomo's accusations against the Government over the food situation are supported by some businessmen who say that the curfew has prevented people from going to the shops and buying supplies.

Mr Simbi Mubako, the Zimbabwe Home Affairs Minister, last week ordered food supplies to be sent to Matabeleland and that shops, closed under the curfew regulations, be opened twice a week.

Pressure on Israeli coalition

By Our Tel Aviv Correspondent

ISRAEL'S SMALL religious parties are creating problems for Prime Minister Yitzhak Shamir by demanding Government intervention to uphold the sanctity of the Sabbath holiday.

The religious factions, a vital component in the fragile ruling coalition, have been enraged because police arrested a well-known rabbi for questioning on the Sabbath, following minor clashes between secular and orthodox Jews in the Tel Aviv suburb of Petah Tikva.

Rabbi Baruch Salomon was allegedly among a crowd that stormed a cafe because it broke religious law by serving customers on the Sabbath.

Mr Avraham Shapira, leader of the ultra-orthodox Agudat Israel Party, which has four Knesset seats, threatened to quit the coalition if the Rabbi was not released. The Government has only a 4-seat majority. Agudat and members of the National Religious Party, another coalition partner, want any proceedings against the Rabbi to be dropped. He was released after questioning.

The defection threat, though not taken seriously, brought pressure on Mr Shamir to take a generally unpopular stand in ordering strict observation of the Sabbath.

Employers' opposition to Hawke pay policy grows

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Government has received further clear warnings from employers that its wages policy—one of the main planks of the Government's strategy for economic recovery—is rapidly losing support.

In Melbourne the farming and mining lobbies warned that declining competitiveness could cost the country an additional A$1bn (£640m) in 1984.

The National Farmers' Federation and the Australian Mines and Metals Association have thus joined other key employer groups—notably the Confederation of Australian Industry—in bitterly opposing the Hawke Labor Government's use of centrally fixed wage indexation for placating the unions.

The new pay regime, which employers claim is inflationary, is the central feature of the prices and incomes accord between Mr Hawke's Government and the Australian Council of Trade Unions.

Mining and farming employ about 9 per cent of the Australian workforce and account for about three-quarters of total exports. Growing opposition to wage increases derived directly from gains in the consumer price index represents the first serious challenge to Mr Hawke's Government on the economic front in its year and a week in office.

Fluor to advise West Australia on gas surplus

BY OUR FOREIGN STAFF

FLUOR CORPORATION, the U.S. engineering concern, will prepare a report for the Western Australian Government on the disposal of surplus gas from the North-West Shelf project.

The Dampier-Wagerup pipeline, which will bring the gas to Perth, the Wagerup Alumina refinery and industrial markets in the south-west of the state, will be officially completed this week, ahead of budget and schedule.

Fluor executives agreed at a weekend meeting in Los Angeles to provide Mr Brian Burke, the Western Australia Premier, with details about the Fischer-Tropsch synthesis, a process for converting gas into petrol or diesel fuel.

Western Australia's State Electricity Commission is set to begin taking gas from the shelf in July, but will not be able to meet its contract conditions in the early years of the domestic phase of Australia's largest resource project.

Projections suggest that the total market for gas in Western Australia will be between 6.5m and 7m cubic metres a day until 1987. The Commission's 20-year "take-or-pay" contract specifies a minimum daily delivery of 10.3m cubic metres, however.

Mr Burke said the Fischer-Tropsch process is already being used successfully in South Africa, but further development is likely to take a year. Although the technology is available, present production costs make it unviable.

Flour Corp joined with Maunsell and Partners as chief engineering consultants for the 1,400 km Dampier-Wagerup pipeline.

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S. Africa willing to take part in Namibia talks unconditionally

BY BERNARD SIMON IN JOHANNESBURG

MR PIK BOTHA, the South African Foreign Minister, said yesterday that South Africa was willing to take part without any preconditions in a peace conference with all the parties involved in Namibia.

Such a conference could include the South-West Africa People's Organisation (Swapo), Mr Botha said. Up to now South Africa has refused to participate in direct talks with Swapo, the nationalist group which has been fighting for Namibian independence over the past 18 years.

Only a few months ago Mr Botha insisted that any discussions with Swapo would have to take place through the South African-appointed Administrator-General of Namibia. The Foreign Minister's statement yesterday gave a further impetus to the negotiations aimed at settling the protracted dispute over the territory.

Other participants in a peace conference would be Namibia's internal parties, the Government of Angola and Unita, the resistance movement backed by South Africa in its fight against the Angolan Government.

"Real peace will be achieved only if all those involved show the willingness to have peace," Mr Botha said yesterday. The time had come for the leaders of Southern Africa to resolve their differences themselves, he added.

South Africa last month agreed to a ceasefire in Angola and to pull back its troops from deep penetration into southern Angola. South Africa has also recently negotiated a non-aggression treaty with Mozambique, another of its black neighbours. The treaty is due to be signed later this week.

The main purpose of the conference mooted by Mr Botha yesterday would be to resolve at least some of the issues holding up implementation of a Namibian settlement. These include the presence of 25,000 Cuban troops in Angola and South African support for Unita.

The idea of a peace conference is almost certainly backed by the United States which has played a key role in defusing tensions in South Africa over the past few months.

Fresh hope for common market in insurance

By John Wyles in Brussels

A CHANGE of position by West Germany has given EEC economics and finance Ministers the chance today to renew their efforts to create a common market for the supply of non-life insurance services.

Negotiations have gradually stalled over the past two years because of opposition—particularly from Bonn—to the idea of relaxing national restrictions to allow non-life insurance to be sold across EEC frontiers.

Now Germany has signalled its belief that agreement could be reached on the basis of a directive tabled in the mid-1970s provided so-called mass risks were excluded from the scope of the new rules.

This would mean that any new liberalised regime would be limited to industrial and commercial risks. Bonn argues that this would be a legitimate and valuable step forward because it is the issues connected with mass risks, such as consumer protection, which have been holding up progress for years.

The German position has been clarified in some detail in a paper for today's Ministerial meeting by Mr Christopher Tugendhat, Vice-President of the European Commission.

Today, Ministers are expected to discuss the Commission's request for the formation of a high level group of officials from national capitals which would be charged with examining the German proposal and deciding whether it should be the basis for negotiation.

West Germany has not been alone in trying to defend its regulatory approach to insurance together with the interests of its domestic industry.

France's attitudes will now be closely watched, particularly since M Jacques Delors, the French Finance Minister, will be presiding over today's meeting. In the past few weeks France has not appeared anxious to focus discussion on the German idea for a more restricted directive.

However, most governments are beginning to feel some pressure to reach a political agreement because of cases which the Commission has taken at the European Court against France and Denmark. These allege breaches of a co-insurance directive adopted in 1978. The final judgment, which may come towards the end of the year, could make the non-life insurance directive unnecessary.

Vogel to call for summit during visit to Kremlin

BY OUR BONN CORRESPONDENT

HERR HANS-JOCHEN Vogel, leader of the West German Social Democrats (SPD), left yesterday for Moscow where he is likely to impress upon the Kremlin the desirability of an early summit meeting between the superpowers.

His two-day visit to the Soviet Union, at the head of a high-ranking party delegation, is noteworthy on several counts.

It comes at a time of an encouraging warmth in relations between the two Germanies, which Bonn hopes can set an example for those between East and West in general. Herr Vogel will be the first senior western politician to meet Mr Constantine Chernenko, the new Soviet party boss, since the flurry of brief encounters on the occasion of the funeral of Mr Yuri Andropov.

What is more his trip has a distinct symmetry with that to Washington a week ago by Herr Helmut Kohl. On that occasion, the Chancellor repeatedly called for an early Reagan-Chernenko summit, even if only little concrete results, and for a resumption of arms control talks.

The SPD leader, who has lately been bitterly critical of most other aspects of government policy here, last night welcomed in a TV interview the possibility of a U.S.-Soviet summit.

He also joined the Chancellor in underlining how, despite initial predictions of a new "ice-age," East-West German ties had weathered the strains of Bonn's go-ahead for new missile deployment in West Germany last autumn.

Further proof of the improved climate, on top of the high level encounters yesterday between East and West German politicians at the Leipzig fair, will come when Herr Vogel breaks his return journey from Moscow on Wednesday to meet Herr Erich Honecker, the East German leader in Berlin.

Herr Honecker has already given hints to other West German leaders of his own desire for a meeting between Mr Reagan and Mr Chernenko, as a signal of both sides' willingness to improve the East-West temperature.

Strauss upstages rivals in talks with Honecker

BY LESLIE COLITT IN BERLIN

THE INTENSE rivalry between Herr Franz-Josef Strauss, the ultra-conservative prime minister of Bavaria, and the West German coalition government spilled into East Germany yesterday.

Herr Strauss, who was instrumental in arranging a DM 1bn (£266m) bank loan to East Germany last year after meeting East Germany's leader, Herr Erich Honecker, returned yesterday for a second meeting with Herr Honecker after the opening of the Leipzig Trade Fair. The timing of the visit caught the West German Government by surprise.

Count Otto Lambsdorff, Bonn's Economics Minister, a Free Democrat, was scheduled to arive in Leipzig today for a meeting with Herr Honecker. However, when he learned that Herr Strauss was to see Herr Honecker yesterday he asked for and got a meeting just after the Strauss-Honecker talks. Word got out from the Lambsdorff delegation that he was not prepared to be upstaged by a lesser-ranking politician.

East German officials, visibly enjoying the spectacle, said they were maintaining strict neutrality in the latest wrangle between Herr Strauss and the Free Democrats who he believes are over-represented in the Bonn Government.

Herr Strauss recently took credit for the flood of East Germans who are being allowed out of the country. Nearly 4,000 have arrived in West Germany since February 18. Last week he said that between 30,000 and 40,000 East Germans could be given exit permits this year.

The East German leader visited a stand at the Leipzig Fair organised by the Saarland, his birthplace which is in West Germany, and acepted an invitation to visit there extended by its Prime Minister, Herr Werner Zeyer. Herr Honecker is expected to visit West Germany later this year but a date has yet to be set. An advance welcome for the East German leader was provided at the stand by a Saar miner's band and buglers from Voelklingen where Herr Honecker lived as a boy.

Walesa calls for workers' council participation

By Christopher Bobinski in Warsaw

IN A significant policy shift, Mr Lech Walesa, leader of the banned Solidarity independent trade union movement, has urged his supporters to take every opportunity to improve Poland's economic situation and to use existing, officially sanctioned institutions.

Until now, the dominant attitude among Solidarity supporters had been that high productivity favoured the authorities and should be resisted, while participation in official structures amounted to "collaboration."

But Mr Walesa's statement on the economy warns against spreading "lack of faith in any activity." He calls on his supporters to "distinguish causes of the crisis beyond our control from those which we can influence" and "concentrate our attention, imagination and activities realistically."

He pinpoints workers' councils in factories and the co-operative movement as two areas in which people should try and implement democratic statutes to wrest some independence from the authorities.

The emphasis Mr Walesa placed on workers' councils, which on paper have the right to take many management decisions, will boost shop floor activists already trying to exploit the self-management legislation passed in 1981 and still largely intact.

So far, the pragmatic wing of the party leadership has tolerated and indeed encouraged workers' councils in the hope they will improve morale, but it remains to be seen if this trend continues now that Mr Walesa has openly backed it.

Buenos Aires denies cabinet crisis reports

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S Radical Government yesterday moved quickly to defuse reports of a Cabinet crisis following the sudden resignation on Friday night of Sr Hugo Gobbi, a key negotiator on the Falklands and Beagle channel disputes.

Senator Adolfo Gass, the head of a parliamentary foreign affairs committee, said that Sr Gobbi's original appointment had been temporary, and that the outgoing junior minister had been offered the post of ambassador to Spain.

Sources close to Sr Gobbi, however, yesterday insisted that the resignation had followed sharp personal differences with Sr Dante Caputo, the Foreign Minister. At the same time there was a growing feeling that the timing of Sr Gobbi's departure represented a setback for reconciliation between Britain and Argentina. A further round of talks between Argentina and Chile, due to begin later this week in Rome, may also be affected.

A fluent English speaker with wide experience of dealing with UK officials as a former UN envoy to Cyprus, Sr Gobbi had recently been patiently laying the groundwork for a first round of talks over the future of the islands. He was also largely responsible for an initial agreement with Chile over the Beagle Channel dispute.

Sr Gobbi is understood to have resigned after being blamed for a series of high-level Government leaks which suggested that Argentina might be softening its position on the Falklands.

Sr Caputo is believed to have argued that the Falklands is too sensitive an issue to be treated outside the strict spheres of secret diplomacy and that any appearance of major compromise with the British ran the risk of aggravating nationalist opinion.

Shultz warns on embassy move

NEW YORK – Mr George Shultz, U.S. Secretary of State, has warned Congress that the passage of a Bill to move the U.S. Embassy in Israel from Tel Aviv to Jerusalem could provoke anti-American violence in the Islamic world, the New York Times has reported.

"We must keep in mind that in the current environment, a move of our embassy would certainly fan Islamic extremism, possibly inciting a wave of violence against our citizens, diplomats and installations," Mr Shultz said in a letter

Greenland go-ahead for EEC withdrawal terms

GREENLAND has approved the terms set for its withdrawal from the European Economic Community over the weekend, ending a two-year battle for control of its lucrative fishing waters.

The Greenland parliament voted 26 – 2 yesterday to accept the withdrawal conditions set by community foreign ministers in Brussels last month.

Under the deal, which must still be ratified by national parliaments, Greenland will get about $22m a year in financial aid in exchange for guaranteed access to its Arctic waters for community fishermen.

The 50,000 predominantly Eskimo Greenlanders, who have limited autonomy from Denmark, voted to leave the community in February 1982.

The withdrawal was held up by wrangles over the amount of fish which community trawlers should be permitted to catch. It is now expected to take place early next year.

Although the financial aid is more than the average which Greenland received as a member, there was doubt whether a majority in parliament would approve the terms.

Ethiopia to boycott talks

ETHIOPIA, which has accused the U.S. of sending arms to Sudan, said yesterday it would not attend talks aimed at easing tension with Sudan, which were scheduled to begin in Nairobi today, our foreign staff writes.

Mr Goshu Wolde, Ethiopia's Foreign Minister, said the Sudan and the U.S. were in "collusion and conspiracy" against Ethiopia.

Last week, Mr Jaafar Nimeiri, Sudan's president, said President Reagan had promised to fly arms to Sudan.

Argentines braced for a week without meat

BY OUR BUENOS AIRES CORRESPONDENT

LONG QUEUES formed outside butchers throughout the country over the weekend, as Argentines stocked up in preparation for a week-long Government ban on all meat sales starting today.

The ban on the national dish is the latest in a series of increasingly drastic measures taken by the Radical Government to curb the country's spiralling inflation rate.

The Government imposed sweeping price controls on most industrial products soon after taking power in December. But increases of more than 30 per cent in recent weeks in prices of meat and other foodstuffs not subject to these controls, have severely undermined Government targets.

The consumer price index for the month of February showed an increase of 17 per cent, bringing the annual inflation rate to almost 436 per cent. The Government, which had hoped to keep prices to an increase of only 10 per cent, last month had to readjust upwards latest wage increases consistent with its policy of ensuring an increase in real salaries.

In its first public admission that the Government's prices and incomes policy may have begun to backfire, Sr Bernardo Grinspun, Economy Minister, yesterday partly blamed recent wage rises for higher meat prices. Greater demand has also co-incided with supply shortages.

The Government is publicly insisting that the meat ban is only a temporary measure and that it still hopes to bring inflation down to 2 digit figures by the end of the year.

However, some economists predicted yesterday that the meat ban would cause a steep rise of other food prices, as well as undermining breeders' confidence.

France's state groups cut loss

By David Marsh, in Paris

FRANCE'S STATE-OWNED industrial groups reduced their overall losses last year to around FFr 16bn (£1.38bn) from FFr 19bn in 1982 according to a balance sheet drawn up by the Ministry of Industry.

The slightly improved overall performance came in spite of steady deterioration at the two State steel companies Usinor and Sacilor which lost around FFr 10bn last year against FFr 8bn in 1982.

Pointing to a recovery in results in the non-steel sector, where companies have been told by the Government to break even by next year, the Industry Ministry said the nationalised groups had overall made "significant" efforts to better their financial performance.

Thomson and Bull in electronics, Pechiney in metals, and Rhone-Poulenc in chemicals had all shown "positive trends" in 1983. But the ministry described as "worrying" results at Renault, the motor group, where the company has indicated that the FFr 1.28bn deficit in 1982, may have grown to nearly FFr 2bn last year.

Renault, like another problem company, CdF-Chimie in chemicals, was nationalised before the Socialist Government came to power in 1981, while the steel groups were taken into virtual public ownership under the previous government's restructuring measures in 1978. By contrast, the companies newly-nationalised in 1982 have been improving.

Dutch takeover threatened

BY WALTER ELLIS IN AMSTERDAM

AN OCCUPATION of Wilton-Fijenoord, the ailing Dutch shipyard, begun over the weekend by workers protesting against proposed redundancies, threatens to upset a takeover of the yard by the Damen group of Gorinchem.

Damen has agreed to the takeover only on the condition that half of Wilton-Fijenoord's 2,000 employees are dismissed. The FNV trade union federation has rejected this condition as "completely unacceptable" and is giving full support to the occupation.

Wilton-Fijenoord, which is based in Schiedam, outside Rotterdam, was part of the RSV shipbuilding and engineering group that went bankrupt last year following alleged financial malpractice by central management. The RSV case in now the subject of an official parliamentary inquiry, only the second such in the Netherlands this century.

Sino-Soviet talks resume today

BY OUR FOREIGN STAFF

THE SOVIET UNION and China begin a new round of talks in Moscow today. However, serious differences over Afghanistan, Kampuchea and troop levels along their common border seem to rule out any dramatic thaw in relations between the two countries.

Peking's special emissary deputy Foreign Minister Qian Qichen arrived in Moscow yesterday for what Moscow called a fourth round of political consultations. Qian was met at the airport by his counterpart Leonid Ilyichev, deputy Foreign Minister, who led the Soviet delegation in the last round of talks which ended on October 29.

The Soviet media reported Qian's arrival, but gave little publicity to the forthcoming talks. Diplomats say this is an indcation that no breakthrough is imminent, though some progress may be made.

In a speech on March 2, President Konstantin Chernenko, the new Soviet leader, spoke in favour of normalisation of relations with China, but acknowledged the many differences between the two countries.

Chinese deputy prime minister Wan Li, who became the highest ranking Chinese official to visit Moscow for 20 years when he attended the funeral of former President Yuri Andropov last month said at the time that "no substantive progess" could be made until "three major obstacles" were removed.

These are a significant reduction of Soviet troops and armaments along the Chinese-Soviet and Mongolian borders, withdrawal of Soviet troops from Afghanistan and a decision by Moscow to drop its support for Vietnam's occupation of Kampuchea.

Progress in the last three rounds of talks has been slow. However, there has been some improvement in cultural and trade ties. Last month it was announced that trade between the two countries was expected to increase by 60 per cent this year to around $1.2bn.

WORLD TRADE NEWS

W. German politicians flock to Leipzig fair

BY LESLIE COLITT IN BERLIN

THE LEIPZIG East-West Trade Fair opened yesterday with the most powerful West German political presence in the City since the end of World War II.

Herr Franz-Josef Strauss, the Bavarian leader, descended on Leipzig for talks with Herr Erich Honecker, East Germany's leader, while Count Otto Lambsdorff, West Germany's Economics Minister, was to confer today with East Germany's economics chief, Herr Günter Mittag.

The Prime Ministers of three of the West German states are in Leipzig, along with the mayor of West Berlin, the economics chiefs of several states, and members of the economics and inner German relations committees of the Bundesdag and countless West German company chairmen.

The have come to bask in the new warmth of East-West German relations and to drum up business. Some 800 West German campanies are at the Fair, out of a total of 9,000. The West Germans, as usual, are the leading foreign exhibitors, followed by the Soviet Union.

West German economics officials speak of "guarded optimism" over the prospects for East-West German trade, which last year rose 8 per cent to DM 15.2bn (£4bn). Trade with East Germany, the Soviet Union (up 11.4 per cent to DM 23.1bn) and China (up 25 per cent to DM 4.7bn) were the bright spots.

East Germany is interested in buying equipment to modernise its chemicals industry, along with licences and know-how. But there are not expected to be any major sales of capital goods to East Germany until the start of the next Five-Year Plan in 1986.

East Germany will rely on West Germany for the bulk of its imports from the West however, as its clearing system of trade with West Germany does not involve hard currency. While East Germany has no problem finding products to buy from West Germany—steel was the fastest-growing item last year—West Germany can sell only to the extent that East Germany sells.

Thus, West German companies trading with East Germany welcomed the liberalisation by Bonn of quotas on East German goods ranging from iron and steel products and aluminiumware to glass and textiles.

The Birmingham Chamber of Industry and Trade has organised a collective stand in Leipzig in which high technology British companies are represented, many of them for the first time. They will need staying power, however. British exports to East Germany have continued to drop, despite the signing a year ago of a five-year accord with East Germany to stimulate joint trade.

Cairo aims for 'cog role' in world motor industry

Charles Richards reports on the all-Egyptian car

THIRTY-FIVE centuries ago the ancient Egyptians built their empire by exploiting the state-of-the-art spoked wheel chariots of their Hyksos invaders. Their modern day descendants are completing the cycle of development by seeking foreign help to produce the first all-Egyptian motor car.

Specifications are being drawn up for the tender documents which are expected to be ready for sending out to international companies by the middle of this month. They will be given three months to lodge their bids; contracts should be awarded in six months.

Up to a dozen companies may be contacted, all of whom sell their products in Egypt. They included Fiat of Italy, Seat of Spain, Renault and Peugeot of France, Volkswagen of West Germany, Datsun, Mazda and Toyota of Japan, and General Motors of the U.S., which is building a small van, truck and bus factory outside Cairo with its Japanese affiliate Isuzu.

The all-Egyptian car replaces far more modest plans for a new passenger car manufacturing plant for which Renault and Peugeot had been competing until the end of last year.

Egyptian officials had had reservations about the original project. They pointed out that because of the underdevelopment of existing feeder industry the new projected manufacturing plant would mainly assemble components imported from abroad. Furthermore the volume of production was too limited to make the project economical.

Then came President Mubarak's call in line with his "buy Egyptian" directive to produce a 100 per cent Egyptian car — and the machinery of Egyptian bureaucracy changed gear again.

The strategy has several aims: meet all but the luxury end of the domestic market to save on imports and to develop a skilled production base. Joint ventures to replace existing licensing schemes would also bring much needed foreign currency and transfers of technology.

At present Nasco's 23,000 cars a year satisfy less than a third of demand of 75,000 cars a year. Industry estimates expect demand to rise to 108,000 in 1990, 130,000 by 1995 and 140,000 by 2000, taking into account annual growth and replacement.

The new project would be for two models only to be produced in Egypt. A small car of 1,000cc, at the new factory, by a joint venture company, and a medium sized car of 1.5 litres to be produced at the Nasco works at Wadi Hof, south of Cairo.

Nasco's present range of locally assembled cars—two small: the Seat 127 and the Zastava 128, and two medium: the Fiat 131 and the Polish Polonez—would be phased out.

Nasco also assembles buses and trucks under licence from Iveco and Magirus Deutz and a small number of Fiat Ritmo cars using spare capacity at the Arab-American Vehicles Jeep factory.

Mr Helmi Zaki, director of passenger cars at Nasco, says that the aim would be to increase local content from the current 20 to 22 per cent including body welding, paintwork, upholstery, batteries, tyres, glass and exhaust systems.

Up to $140m investment would be needed to raise local content to 70 per cent he says. He would like to see local production of such items as shock absorbers and wheel rims, as well as the development of existing facilities to produce petrol engines.

The small car project on the other hand would start from scratch. Mr Adel Gazari, former head of Nasco and now chairman of the Engineering Industries Association, a public sector holding company, says the aim would be to produce 60,000 units a year rising to 100,000. Investment needed would be between $300 and $400m (Industry Ministry officials cite $360m).

The new venture would not simply be a matter of import substitution. Helmi Zaki says that any manufacturer would have to produce more than 100,000 units of say, a gear box since even 100,000 is not an economical volume of production. Producing volumes greater than local demand would create economies of scale and generate foreign exchange through exports to pay for imports of raw materials, and, most important, give Egypt some security of supplies.

As with offset production deals in Egypt's arms industry, Egypt would want to provide components for re-export to the parent company or its affiliates so that the Egyptian product would become a cog—albeit a small one—in a worldwide production mechanism.

The success of any bid would depend to a large extent on its ability to spawn a large component industry: Adel Gazari, when at the wheel of the Nasco, used to blame low customs duties on imported components for killing any incentive to establish efficient local component factories.

To help develop such feeder industries, officials would expect that which ever company is selected for the small car would also be chosen for the medium sized car, to ensure commonalty of parts and to avoid duplication of investment.

Bidders, meanwhile, are certain to want to ensure that they have a certain measure of control over product pricing, since Nasco suffered a loss last year because of government price controls.

Japan to boost semi conductor investment

TOKYO — Ten Japanese semi-conductor makers are to spend more than Y500bn (£1.5bn) on new equipment this year to meet fast-growing demand in Japan and abroad.

Demand, especially for integrated circuits and micro-chips, has outstripped production causing a shortage of components for video tape recorders, colour television sets, personal computers and word processors. Manufacturers have been forced to slow production or delay delivery.

At least two Japanese companies are planning capital spending of Y100bn or more to increase production. Hitachi plans to spend Y110bn on semi-conductors in 1984-85, compared with Y70bn in 1983-1984. It plans to build or expand three wafer-making and assembly plants.

NEC plans to build a new integrated circuit factory in the south of Kyushu Island and to complete construction of another plant in Yamaguchi, west Japan. The company is reported to be planning to raise capital spending to about Y100bn in 1984-85 from Y60bn in 1983-84.

Both companies are planning sharply to increase their 64K ram chip output capacity so that each will be able to produce 10m chips a month by the end of 1984.

Among other companies, Mitsubishi Electric is thought to be increasing capital outlay by about 35 per cent this year from Y35.5bn in 1983-84, and Oki Electric is said to be considering boosting its spending to some Y15bn from Y10bn last year.

Japanese makers said the shortage of ICS in Japan and the U.S. may continue for some time.

The shortage of integrated circuits in Japan and the U.S. is unlikely to be made up by the end of this year, however, according to Mr Atsuyoshi Ouchi, vice-president of NEC.

"Even though we plan to invest more and expand facilities, our fund raising it limited and if we spend so much money, new facilities cannot work at once and meet immediate needs."

One private Japanese market research institute estimates global demand for semi conductors reached $17.9bn in calendar 1983 and will rise to $21.2bn this year.

The 1984 estimate is made up of $12bn in the U.S., up from $10.1bn in 1983, $3.4bn in Europe, up from $2.9bn, and $5.7bn in Japan, up from $4.9bn, it said.

Another private group, the Nomura Research Institute, predicted that world integrated circuit production would reach $30.9bn in 1986, aided by technical innovations and broader applications for the product. Output in 1982 was worth $9.9bn. Of the 1986 total, one third would be made in the U.S. and a quarter in Japan, it said.

Japan's 1983 output was about 30 per cent up on 1982, and Japanese exports of semi conductors rose 47.8 per cent in 1983, the Japan Electronics Industries Association said. Reuter

AP-DJ adds from Detroit — Ford Motor and Yamaha of Japan have agreed to study whether to develop engine components together, a Ford spokesman said. The parts might be used in a future Ford engine. Ford owns 25 per cent of Toyo Kogyo of Japan, the maker of Mazda cars, and already plans to build small cars with Mazda.

Moscow agrees to joint $450m Greek alumina plant

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE and the Soviet Union have agreed to go ahead with a $450m project for the joint construction of a plant to manufacture alumina for export to the USSR and Bulgaria, using Greek bauxite.

Mr Costis Vaitsos, the Greek Deputy National Economy Minister, said that final agreement on the project was reached by Soviet and Greek delegations in Athens, after a breakthrough on negotiations over the purchase price of the alumina.

Mr Vaitsos said the two sides agreed on an alumina price of 13 per cent of the Alcan-Canada price for aluminium metal, which currently stands at $1250 per tonne, for the first three years, and 12.6 per cent of the Alcan price for another seven years. The Greeks had originally demanded 15 per cent of the world price of aluminium metal.

Officials from the National Investment Bank of Greece which carried out the feasibility study for the project, said the alumina would be paid for "in hard currency or the equivalent of hard currency in oil or natural gas." The Soviet Union will provide half the financing for the project including equipment for the alumina plant.

The plant, with a 700,000-tonne annual capacity, will employ 700 workers. The Soviet Union has agreed to absorb 400,000 tonnes of alumina per year and Bulgaria 200,000. The plant will process an estimated 1.5m tonnes of Greek bauxite annually.

Construction, which is expected to employ 2,000 workers and last four to five years, is scheduled to begin in early 1985. The likeliest site is reported to be on the Corinthian coast, in the west Greek province of Boeotia.

The alumina project was originally conceived by a Conservative government in the late 1970s, as part of an effort to strengthern economic ties with the Soviet Union, but it made little progress until the Socialist Government came to power.

SHIPPING REPORT

Tanker rates up again as Gulf war intensifies

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE TANKER market hotted up last week, as charter rates in the Gulf rose under the influence of continued hostilities between Iraq and Iran. News of Iraqi damage to several merchant ships bound for Iranian ports—no tankers have been hit—added to the tension in the area.

Brokers said the scale of activity and the level of rate increases was the largest for some time. Loadings from the main Iranian oil terminal at Kharg Island commanded a premium over other Gulf cargoes, but all Gulf rates improved.

Worldscale 40 was paid for a VLCC (very large crude carrier) from Kharg to the Red Sea compared with Worldscale 33 the week before. A part cargo of 190,000 tons was fixed from Lavan Island in Iran to Singapore at Worldscale 48, a freight cost of nearly $1m.

Numerous fixtures were also made to Japan at undisclosed rates. After the Iraqi attacks on shipping became known, Lloyd's doubled war risk insurance rates in the northern Gulf area to 1.5 per cent of vessels' value.

Galbraith's said captains of tankers recently loaded at Kharg had reported no problems during their visits. Iran said last week it was prepared to provide insurance cover to tankers calling there at only 1 per cent of the value of hull and cargo.

The sum of $100m has been transferred to the state insurance company's London bank to finance this, it said. This has undoubtedly been done to try to prove to owners that Kharg Island is certainly not a besieged terminal and that the "business as usual" sign it lit up.

Brokers said the rate from Kharg to Rotterdam was now about Worldscale 35 for a VLCC cargo of 250,000 tons, or $2.5m. This compared with Worldscale 28, equivalent to $2m, the previous week.

The rise in VLCC rates and activity benefitted smaller vessels of 80-140,000 tons in the Gulf, with further rate improvements seen likely.

But Galbraith's was sceptical as to how long the boost in big tanker rates would last. Though owners were hoping that rates from the Gulf would rise to the mid-Worldscale 40s, it thought the rising trend could be halted if inquiries suddenly dried up.

On the dry cargo market, Denholm Coates said large bulk carriers continued to benefit from demand for coal and iron ore. Charterers were now prepared to take such vessels for up to a year.

World Economic Indicators

TRADE STATISTICS

		Jan. '84	Dec. '83	Nov. '83	Jan. '83
U.S. $bn	Exports	18.33	17.30	17.06	17.23
	Imports	26.59	22.98	23.11	20.13
	Balance	−8.26	−5.68	−6.05	−2.9
UK £bn	Exports	5.22	5.80	5.27	4.73
	Imports	5.56	5.44	5.20	4.90
	Balance	−0.34	0.36	0.07	−0.17
France FFrbn	Exports	68.87	67.64	67.00	55.80
	Imports	74.34	67.64	68.59	65.37
	Balance	−5.47		−1.59	−9.57
		Dec. '83	Nov. '83	Oct. '83	Dec. '82
Japan $bn	Exports	12.99	13.21	12.93	10.95
	Imports	11.85	11.11	11.24	10.81
	Balance	1.14	2.10	1.69	0.14
W. Germany DMbn	Exports	38.33	37.48	36.68	34.40
	Imports	35.56	34.55	33.25	29.68
	Balance	2.77	2.93	3.43	4.72
		Nov. '83	Oct. '83	Sept. '83	Nov. '82
Italy Lbn	Exports	10,766	10,353	9,875	9,045
	Imports	10,488	10,781	11,259	10,252
	Balance	278	−428	−1,384	−1,207
Netherlands Flbn	Exports	16.69	16.08	15.78	14.75
	Imports	15.30	15.84	14.55	14.89
	Balance	1.39	0.24	1.23	−0.14

TECHNOLOGY

EDITED BY ALAN CANE

RESEARCHERS PROPOSE NEW SEMICONDUCTOR HARDWARE

Plan to speed chip production

By PETER MARSH

GOVERNMENT researchers are set to join forces with industry in a drive to produce an advanced form of machine to make chips with electron beams.

The Rutherford Appleton Laboratory in Oxfordshire, which is run by the Science and Engineering Research Council, plans to team up with engineers from Cambridge Instruments, one of the few British companies that make equipment for semiconductor production.

The two groups want to speed-up by a factor of five the electron-beam hardware that Cambridge Instruments already manufactures. With a stream of electrons, the equipment inscribes on to a piece of material the pattern of an electronic circuit.

Researchers have applied to the Government's Alvey directorate for cash to develop the machinery over three years. The Alvey directorate of the Department of Trade and Industry is allocating £200m over five years on projects in information technology, including chip design and manufacture.

Some £200m over five years on projects in information technology

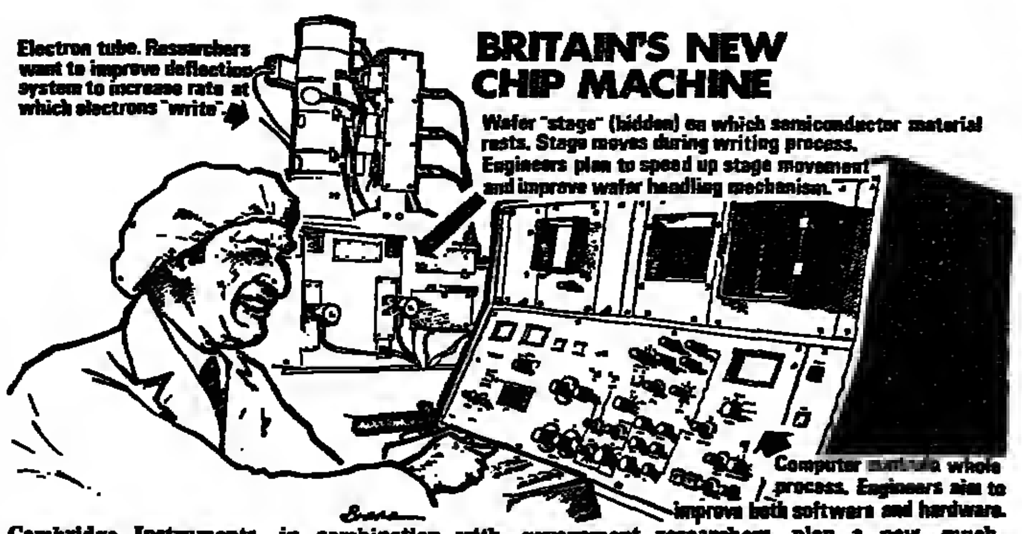
The Rutherford Appleton Laboratory is Britain's most experienced centre in writing patterns for chips with electron beams.

Since 1979 the laboratory has turned out, as a service to universities, masks that contains the patterns for electronic circuits. These lines are transferred to a semiconductor substrate at e later stage of the manufacturing process.

With hardware worth £2m, the laboratory produces some 1,000 masks a year. The masks are used by researchers in 25 universities as part of studies in chip design and manufacture.

Electron beams can inscribe very fine meshes of lines, in which the distance between adjacent parts of the pattern is 1 micrometre or less.

Cambridge Instrument's current model takes about half an hour to transfer circuit patterns onto a silicon wafer that contains several hundred chips. This is about ten times es long as the optical machinery conventionally used in the semiconductor industry.



Cambridge Instruments, in combination with government researchers, plan a new, much quicker version of the electron-beam equipment that turns out chips

Optical equipment works rather like a spotlight—it floods the whole of the wafer with the same broad beam of radiation.

The radiation must first pass through a mask which contains the pattern to be impregnated. In a process similar to screen printing in the paper industry, the mask transfers to the semiconductor a mesh of lines.

Electron beam machines are in some ways simpler because they dispense with the mask. Instead, they "write" the circuit pattern directly on to the wafer. But the process is slow because each line in the pattern must be individually traced out.

Semiconductor companies seldom use electron-beam machines to produce chips in large volumes. The process would take too long. Instead, engineers restrict the apparatus to mask-making.

Alternatively, the electronics industry makes with electron beams small production runs of new kinds of densely packed chips, as a prelude to gearing up for full-scale manufacture using conventional optical machinery.

By speeding up current versions of electron-beam hardware, managers at the Rutherford Appleton Laboratory and Cambridge Instruments think they will make the equipment more attractive to production engineers employed by chip companies.

The researchers plan to increase speed in three main ways. First, they will quicken the rate at which the electron beam flicks between different parts of the line it is inscribing onto silicon.

Both the times and the distances in this process are microscopic. A beam may zig-zag across e semiconductor in hursts of as little as one ten-billionth of e second. During this time it may travel a quarter of a micrometre.

Secondly, researchers will improve the electronics in the machine. The electronics controls both the deflection of the electron beam and the movement of e small platform, called a stage, on which the water sits as the electron stream falls onto it.

During the time it takes to transfer a pattern onto one wafer, the stage can move up to 10,000 times, each a step of about a millimetre.

Finally, workers plan to modify the existing hardware mechanically, for example by improving the equipment that automatically picks up wafers and slides them into the machine.

As part of their own research effort, workers at the Rutherford Appleton Laboratory have built their own electron-beam mechine, RAL-1. The hardware, developed at a cost of about £1m, has a number of improvements.

For instance, RAL-1 contains a new system for controlling the flow of electrons to a target of silicon. The mechanism was devised by Cambridge University.

The Rutherford workers have also enhanced the software that controls the deflection of the electron beam.

Cambridge Instruments sells 10 £600,000 machines a year

Cambridge Instruments already says it will buy some of this software to improve its existing electron-beam hardware. The company sells about 10 £600,000 machines a year, mainly overseas.

Mould design

CALMA, the computer-aided design specialist, is offering a plastics mould design package that reduces mould cost, delivery/production times and material waste.

The package allows moulded component design to be transferred immediately into mould fabrication via a desk-sized engineering workstation.

Flow and cooling properties of the plastic in use are taken account of by the software and some 60 per cent of the cost of mould design and manufacture are saved by carrying out the heat transfer analysis before cutting the steel.

Outputs include bill of materials and a complete three-dimensional model of the mould. More on 0276 651621.

NUCLEAR WASTE DISPOSAL

Boreholes for dumping

BY DAVID FISHLOCK, SCIENCE EDITOR

A BRITISH inventor has responded to the Government's call for more private-sector involvement in the disposal of radio-active waste. He wants to use proven oil industry technology to bury the waste permanently in boreholes two miles deep in the North Sea.

It could emerge as e serious test of the sincerity of nuclear opposition groups in their desire to solve the problems of managing radioactive waste safely.

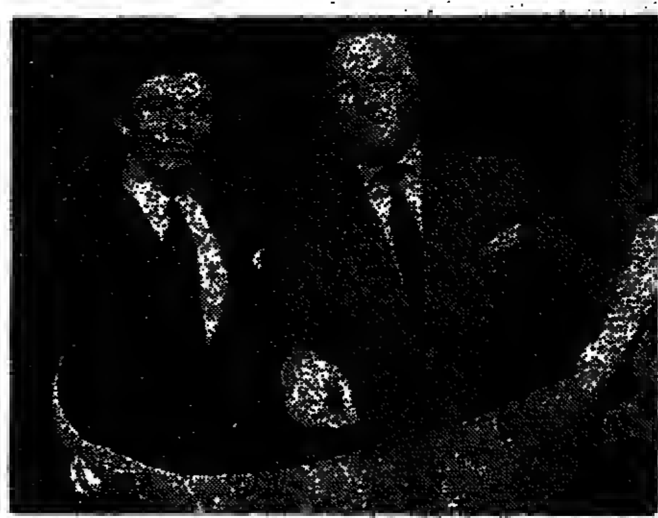
The scheme, on which Mr Alex Copson, the inventor, has applied for a patent, resembles one which has gained approval in principle in Sweden, for encapsulating spent nuclear fuel and burying it permanently in granite (*Technology Page, August 18 1983*).

Mr Copson first made his name with the oil industry for his invention of a recovery system for helium, used in the gas mixture breathed by deep sea divers. From the London offices of Cluff Oil, he and a businessman, Lord Newall, are launching a venture caled Ensec Ltd, to rid the nuclear industry of trash no one wants to recycle and the public no longer trusts the nuclear industry to dispose of safely, Copson says.

Mr Copson's target is the much more voluminous category of intermediate-level wastes, not the highly radioactive waste handled by Sellafield, Cumbria, but of the kind the nuclear industry is hoping to store in ICI's anhydrite mine at Billingham. The Department of the Environment estimates that Britain will have accumulated about 25,000 cubic metres of such wastes by 1990, compared with 2,000 cubic metres of high-level radioactive wastes.

As Mr Copson sees it, the choice of Billingham by Nirex, the Nuclear Industry Radioactive Waste Executive, as a potential permanent repository for such wastes is "safe but politically and environmentally wrong." Nirex, on the other hand, has no brief from the Government to explore for repositories offshore, even in UK waters.

It is Mr Copson's contention that the public has considerable confidence in oil industry technology as demonstrated in the North Sea. He believes that a technology used to tap a potential pollutant at 10,000 lbs per square inch pressure can be reversed to store radio-active waste in sub-sea areas known to be dry.



ENSEC Chief executive, Mr Alex Copson and Lord Newall, chairman.

His plan, outlined in British Patent application 8319247, is to use a multi-legged jack-up design of offshore rig both to drill down to 10,000 feet and to serve as the working platform for subsequent emplacement of radio-active waste. The hole itself will be lined as it would for oil recovery.

The waste will be delivered to Ensec by the nuclear industry as "torpedo-like" canisters 15 ft long and about 18 inches diameter, encapsulating the waste. These canisters will be lowered on the end of a drill string to 10,000 feet, and sealed into the bore hole with cement, to a level some 500 ft from the seabed. A cement plug will then seal the string of canisters into the rock.

Only a seismic catastrophe of an order which would bring many devastating environmental problems could rupture such a repository, Copson believes.

As he envisages Ensec, its operations will begin at the dockside, as the diagram shows. The emplacement operation on the platform will be automated to minimise exposure to radiation. A dedicated rig designed and approved for nuclear operation, will cost of the order of $100m, he says. He believes it could drill and fill a score of holes a year.

Ensec is eyeing a site with "perfect geology" eight miles offshore from Dounreay in the north of Scotland, just west of the Orkneys. Block 201 (Sutherland) of the North Sea has a water depth of about 300 ft and tidal currents believed to be well within the capabilities of the Ensec multi-legged jack-up. Dounreay itself has both the facilities and experience to handle radwaste and political climate willing to undertake a new nuclear industry activity. Ensec itself will not be a nuclear company, but an offshore industry company, as he sees it.

"I know that this is politically sound, economically sound, and environmentally sound," Mr Copson claims. He believes it will cost about five times as much as Nirex's estimates for disposal in the existing cavity at Billingham. But those estimates are irrelevant, he contends, since nuclear industry opposition will prevent the Billingham mine being used to store radio-active waste.

Mr Alex Copson says he has discussed Ensec's plan widely with opponents of nuclear energy, has met their criteria for safer disposal, and has convinced them the problem must be shifted offshore, beyond the bailiwick of Nirex, the consortium of nuclear industry interests. He is placing a contract for an environmental impact report on the Ensec operation with the Political Ecology Research Group (PERG), of Oxford, longstanding critics of nuclear industry activities.

Software

Another 'Star' from Micropro

MICROPRO, the San Rafael, California, software house which developed the world's most popular microcomputer word processing program, Wordstar, is trying for gold a second time around.

Its latest effort, PlanStar, is a financial planning and reporting system for which it claims attributes which take it out of the league of the conventional Visicalc-like spreadsheet packages. It claims, in fact, "power and sophistication previously only available on mainframe computer systems."

Micropro is a low-profile but distinctive U.S. micro software company, which still makes most of its money from Wordstar. (Of its $58m revenues last year, some 70 per cent came from this source.)

It is of similar size and showing a similar rate of growth to the Microsoft and Digital Research, two of the best the best known U.S. software houses. Microsoft's success is based on a version of Basic for micros and the operating system for the IBM PC. Digital's on operating systems for 8-bit and 16-bit machines.

Micropro has resolutely refused to follow the crowd in software development. It has avoided "integrated" software in favour of a menu system or "procedural integration."

"Starburst," which carries out this function, was launched in the U.S. late last year.

PlanStar, the new package, is designed for use by accountants, managers and others who have outgrown conventional spreadsheets and are looking for powerful modelling and project analysis tools.

It can provide 32,000 spreadsheet "cells" and 1,000 sheets for use on any one project. It also provides graphics and printing capabilities. More on Micropro in the UK on 01-879 1122.

Budget likely to promise £3bn tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, will tomorrow paint an encouraging picture of economic prospects which he hopes will enable him to make substantial tax cuts, starting next year.

In a budget speech directed largely to longer-range strategy, he is likely to show scope for tax cuts in 1985–86 at about £3bn.

Tax cuts are likely to be predicted in every year up to the next general election. The Treasury's analysis, however, will show that future tax cuts will only be possible if wage settlements continue to fall and public spending stays at about its present level in real terms.

For 1984–85, the Chancellor will make no net "give away," so his specific tax cuts will have to be matched by revenue-raising measures. His borrowing target is likely to be set at about £7½bn, or perhaps even less.

His growth forecast for this year is a little over 3 per cent with a steady recovery continuing into 1985. The predicted inflation rate for November is likely to remain at 4½ per cent.

A Green Paper (discussion document) on the prospects for public spending and borrowing in the next 10 years will be integrated with the budget's main message.

The Chancellor will say that the present rate of inflation is still too high at 5 per cent. His medium-term strategy for bringing it down to 3 or even 2 per cent by the next election will take priority.

The strategy will show n steady reduction in the public borrowing need over a five-year period. Mr Lawson believes this can only be achieved without damagingly high interest rates if public spending can be controlled along the lines suggested in the Green Paper.

Mr Lawson is expected to indicate at least the outline of a longer-range plan for reform of the tax system. He would like ultimately to reduce allowances for such items as mortgage (house purchase), interest, life assurance premiums and pension contributions which can be set against income tax. He thinks it would be better if people paid less tax in the first place; then they would need fewer allowances.

Another part of his strategy is to shift tax advantages away from institutions like life assurance companies and pension funds towards the individual saver. It is widely expected that he will abolish or reduce stamp duty on share transactions and ease the real burden of capital gains and capital transfer taxes.

There has been speculation that this might be matched by a levy on banks. Although Mr Lawson would like to squeeze more revenue out of the banks, the Treasury has not thought of a way to prevent them passing any levy on to their customers. Any such measure is therefore likely to be cautions.

Tories to face four by-election tests

By John Hunt

THE GOVERNMENT now faces four by-elections, the largest number at one timn since Mrs Margaret Thatcher came to power in 1979. This follows the death of Saturday of Viscount Macmillan, the Conservative MP for Surrey South-West and son of the Earl of Stockton, the former prime minister Mr Harold Macmillan.

Viscount Macmillan, aged 63, formerly Mr Maurice Macmillan, was Chief Secretary to the Treasury in 1970-72 and Employment Secretary in 1972-73. He died after a heart operation.

Other by-elections are pending in Carmarthen and Cynon Valley in Wales and at Stafford in the Midlands. They will probably be held in late May or June and come at a time when the Tory party is going through a period of doubt despite its massive parliamentary majority. The by-elections will be seen as an important test of the standing of Mrs Thatcher and of the Government.

Viscount Macmillan's own constituency is seen as a safe Tory seat.

NEDC pinpoints weaknesses in the engineering sector

Fears for industry grow

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE ENGINEERING industry is now en area of Government concern as fears grow over the strength of Britain's manufacturing base after North Sea oil production declines towards the end of the decade.

The all-party House of Comons Committee on Trade and Industry begins on Wednesday a special inquiry into "the reasons for the growth in the imbalance of trade in manufactured goods between the UK and existing and prospective members of the EEC."

In a study of trade patterns and industrial change, Mr John Cassels, the director-general of the National Economic Development Council (NEDC), has ideotufied serious and enduring weaknesses in the UK's engineering sector. The study, with papers stressing the shortage of skilled manpower and opportunities in engineering, was discussed hy minislers and senior industrialists in the monthly NEDC meeting last week.

Mr Cassels' analysis shows that the industry's weokoess threatens long-term growth; leaves it uniquely vulnerable to import penetration; makes it backward in innovation and in privately – financed research and development; and will threaten the growth of joh opportunities in manufacturing once the exchange rate goes down with the decline in oil production.

A major finding of the NEDC study is that while the UK has invested heavily in engineering, this has been concentrated in labour-saving mechanisation rather than in innovation, to the detriment of export sales in an industry which still accounts for 40 per cent of manufactured exports.

An annex to Mr Cassels' study says "it appears that the UK now enjoys an intermediate status between the advanced industrialised countries (such as the U.S., Japan and Western Europe) and the newly industrialising countries (South Korea, Mexico and the larger South American economies) and has features of both types of economy in trade with the other."

Research and development effort is markedly lower in expenditure terms than the UK's major competitors, and much lower in terms of effectiveness – the UK "achieved a significantly lower rate of patents per pound of expenditure and per researcher than both West Germany and Japan – though a slightly higher rate than France."

The study acknowledges that Government encouragement of innovation through Department of Trade and Industry schemes has sharply increased since last year – but says that much more needs to be done.

"There may be a case for trying to bring about a different balance between capital investment incentives and innovation support, and between resources going into consumption as opposed to innovation. Relatively small percentage changes in either consumption spending or capital assistance could have a dramatic effect on the volume of support for innovatioo; it appears very possible that the correct balance may not have been struck between the three."

Mr Cassels warns that lower labour costs – a favoured object of Government policy and exhortation – are not sufficient to improve competitiveness.

"Labour cost increases affect the relative acceleration or decline of differeot sectors. If lower labour costs were seen as the only route to generating industrial recovery, then it would contnue to keep the UK over-dependent on lower value-added and more price-sensitive products." Papers to the NEDC by Mr Norman Tebhit, the Trade and Industry Secretary, and Sir Keith Joseph, the Education Secretary, reinforce Mr Cassels' paper hy stressing the shortage of skilled manpower in engineering, especially its high technology sector.

BA chief attacks the competitor 'vultures'

BY RAYMOND SNODDY

BRITISH AIRWAYS has described as "vultures" those competitors who are trying to gain control of significant BA routes and services before privatisation under the guise of increasing competition.

Mr Colin Marshall, BA chief executive, said: "Some people seem to think we are about to become easy prey – they are acting like vultures waiting to swoop."

Mr Marshall was commenting on submissions to the Civil Aviation Authority from 135 airlines, travel and consumer groups, over its review of aviation policy and the effect on competition of BA's privatisation.

Many of the submissions are simply from competitors who would like to have routes or charter flights that BA oow operates. In the unlikely case of the submissions being granted, it could mean BA losing up to a third of its international routes.

"We have made it clear that taking away our routes would impede progress towards privatisation, and giving them to other British airlines would neither beoefit true competition nor benefit the traveller," Mr Marshall said.

British Caledonian is asking for the transfer of £200m of BA's aircraft and international routes to independent airlines to improve competition. The airline believes that if BA were privatised in its present structure the new private company would have too dominant an influence.

Mr Marshall said: "Our success is hased on competing successfully with major international airlines from all over the world and we have no intentioo of becoming the victim of this success."

● British Rail wants to build about 25 140-mph electric locomotives at a cost of £30m to £40m as the oext stage in its high speed train strategy for the 1990s.

The new locomotives, to be known as the Inter-City 225 and intended for use oo the key West Coast London-Manchester-Glasgow routes, will use elements of technology developed during the Advanced Passenger Train (APT) project.

The 160-mph APT, developed over 15 years at a cost of £40m, suffered from acute engineering problems. The new project will use many APT design features, including its traction equipment, but will pull conventional passenger coaches, rather than the APT's problematic tilting coaches.

Food stores accused of abusing market power

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE OFFICE of Fair Trading (OFT) has held secret hearings with the big three supermarket chains – Asda, J. Sainsbury and Tesco – about allegations that they are abusing their market power to seek unfair trading discounts from manufacturers.

The hearings have been part of a preliminary "fact finding" exercise being carried out by OFT officials to establish whether the Monopolies and Mergers Commission should carry out a formal investigation.

It is understood that the supermarkets are unhappy about what they see as an "orchestrated campaign" by food manufacturers to put pressure on the OFT for a new investigation.

The retailers point out that the commission cleared them in a report published three years ago from abusing their power to seek unfair trading discounts. The commission ruled that any discounts the supermarkets received were being passed on to consumers in lower prices.

The OFT's officials are looking closely at discounts in the bread, frozen foods and tobacco sectors, where allegations of excessive retailer power are most often made.

UK NEWS

Big clearing banks stake out major role in new-look exchange, writes Barry Riley

Barclays plans its strategy

CONFIRMATION that Barclays Bank is to link with, and, eventually absorb, Wedd, Durlacher, means that a key piece of the new City of London jigsaw puzzle has now been put into place.

Wedd's skills in the market – it is one of the two top jobbing firms, with Akroyd & Smithers – will carry a high value in the new structure of the London securities markets.

Akroyd was snapped up last autumn by S.G. Warburg, the merchant bank, and the destination of Wedd, Durlacher has been the subject of considerable speculation in recent months.

Two other projected deals emerged yesterday: the parallel Barclays takeover plan for brokers de Zoete & Bevan, and a scheme for brokers W. Greenwell to link with the Midland Bank's merchant banking subsidiary, Samuel Montagu.

National Westminster Bank already has a stake in a smaller, but still substantial firm of jobbers, Bisgood, Bishop.

This series of deals shows that the big clearing banks are determined to play a leading role in the future development of the London Stock Exchange, and is in sharp contrast to the relative caution shown by many of the leading merchant banks.

Leading accepting houses such as Kleinwort Benson, Morgan Grenfell and Schroders have so far kept out of the race to bid for London firms of brokers and jobbers.

The latest round of deals, which emerged over the weekend, come within a few days of a key policy statement from Mr Robin Leigh-Pemberton, governor of the Bank of England.

Last Tuesday he gave the bank's blessing to an extensive reshaping of the securities market, with the setting up of integrated firms which would act both as brokers and jobbers. Stock exchange rules at present still enforce a rigid separation of these activities.

Mr Leigh-Pemberton argued that "early and substantial change is now unavoidable" to prevent London from losing out in world markets.

He encouraged the creation of British-owned securities trading groups to counter the threat posed by the huge American and Japanese securities houses, several of which have more capital at their disposal than all the London stock market firms put together. But at the same time, he accepted that foreigners would have an important place in the revamped London market.

In calling for the introduction "in fairly short order" of a new trading system, and for the stock exchange to open up its membership to outsiders, he *foreshadowed radical reforms* in the stock exchange rule book. This would imply, in particular, the removal of the 29.9 per cent ceiling at present imposed on single outside holdings in member firms, and the ending of the ban on broking and jobbing under one roof.

These questions will be aired in discussion papers to be produced by two stock exchange committees on the exchange's constitution and market structure.

The Barclays proposals are clearly against the spirit of the existing rule book, but equally clearly are whole-heartedly endorsed by the Bank of England. A Barclays-Wedd-De Zoete combination would contain most, if not all, of the components of a ready-made integrated securities house.

As the London Stock Exchange looks set to introduce a new trading system, Britain's big clearing banks continue to link with top jobbing and stockbroking firms in an effort to counter the threat posed by American and Japanese securities houses.

Barclays is the latest bank to announce plans to link with the jobbing firm, Wedd, Durlacher and the stockbrokers, de Zoete & Bevan. Although the bank's proposals are clearly against the spirit of the exchange's existing rule book, they are whole-heartedly endorsed by the Bank of England.

On the American pattern, such a house would be able to make markets in securities, distribute them to investment clients, manage third-party portfolios, produce investment research, arrange new issues and provide financial advice to corporate clients.

A large international house would be capable of covering foreign as well as domestic markets, straddling everything from short-term money market instruments to long-dated bonds and equities.

In London, Mr John Barkshire's mercantile house holdings has already declared its intention to build a UK operation to match Oppenheimer, its U.S. securities house. It is buying Alexanders, the discount house, which it hopes will expand from the money market into gilt-edged operations, and also is seeking to purchase a London stockbroking firm.

Another prominent contender is Mr Jacob Rothschild's Charterhouse J. Rothschild, which has important New York toterests as well as merchant banking and stockbroking operations in London. It was formed at the end of last year to enabla a merger of the Charterhouse group and RIT.

At about the same time, the other London Rothschild enterprise, merchant bankers N. M. Rothschild, concluded a deal with jobbers Smith Bros, aimed particularly at the gold share market.

But the only embryo securities house of any size to have sprung from within the merchant banking community is the grouping of S.G Warburg with Akroyd, which has in turn moved to establish a joint dealing operation in international securities with brokers Rowe and Pitman.

But Rowe and Pitman's direct financial link is with Charter Consolidated – which has bought the standard 29.9 per cent stake – rather than with Warburg, which denies that it is acting in concert with Charter. It is not at all clear at this stage how cohesive the Warburg-Akroyd-Rowe and Pitman grouping will prove.

Lack of financial muscle is one of the reasons for the slowness of the other big merchant banks. They have been reluctant to be rushed into paying for stock market firms at the top of a bull market, at a time when the future framework is not at all clear. Tha risk for these banks would be high, given their limited size, whereas the sums involved are not too great for the big clearing banks.

Business expansion scheme encourages investment funds

BY TIM DICKSON

A FURTHER spate of funds investing in unquoted British companies is likely in the next few months.

Investment management companies are encouraged by the substantial sums raised from private investors under the Government's Business Expansion Scheme (BES) in this financial year – most estimates put the figure at well over £40m. They are hoping to build on this success in 1984–85 by launching further funds.

Charterhouse J. Rothschild, for example, is far advanced with plans to raise £7.5m either late next month or in May. Capital Ventures of Cheltenham has beaten its rivals by announcing last week that applications are already being accepted for its second Cave fund.

The appeal of Cave and the forthcoming Charterhouse business expansion fund lies in the Business Expansion Scheme, which enables individuals to obtain full tax relief on the cost of new equity commitments to a wide range of unquoted UK companies.

Investors, however, should not be confused by the April 5 closing date given by Cave. The proceeds will not be fully invested until April 5 1985 at the earliest and tax relief will not be available on 1983–84 income.

Several individual companies have recently announced share issues aimed at individuals still seeking a tax shelter for earnings in this financial year.

It is widely expected that most of the 20 to 25 stockbrokers, merchant banks and assorted licensed dealers which have raised money under the BES in 1983–84 will launch new vehicles in 1984–85. The timing, however, is still being considered by many of them. Managers will have to weigh the inevitably heightened interest in BES funds close to the end of a financial year against the undoubted advantage of having time to seek suitable and profitable investments.

The first Charterhouse business expansion fund was one of the most popular. It was closed last autumn after being well oversubscribed. Charterhouse expects that many individuals unable to invest in the first fund will be interested in the new launch.

Mr Dennis Fredjohn, Capital Venture's managing director, said last week that there appeared to be no shortage of companies looking for venture capital.

Falklands trusteeship proposed

By Robert Graham

BRITAIN should consider a trusteeship arrangement for the future of the Falkland Islands, according to the Bow Group of the Conservative Party.

The trusteeship should be set up on the basis of both Britain and Argentina renouncing their sovereignty to the islands. There would be seven trustees, one each nominated by Britain, Argentina and the islanders, and the rest appointed by mutual agreement.

In its paper, the Bow Group says that Britain's main objective "must be to find a *modus vivendi* without loss of face, or of vital interests on either side; to provide a mechanism for the orderly resolution of future disputes concerning the islands; and to safeguard, as far as possible, the strategic and economic interests of the West."

A lease-back arrangement is ruled out because this would mean subjecting the islanders to total political and cultural control by Argentina on a fixed date in the future. Notwithstanding President Raul Alfonsin's offer to give the islanders a special position guaranteed by statute, this would "probably be unacceptable to the British parliament," because of doubts about Argentina's political stability.

The Bow Group says only its trusteeship plan has a chance of realistically solving the sovereignty question and although, it requires Argentina to forego sovereignty claims "this need not be insuperable since abandonment (of sovereignty) would have to be mutual."

Future development of the islands' resources would be on a joint co-operative basis between Britain and Argentina.

Sunday shop laws 'should be repealed'

By David Churchill

STRONG SUPPORT for changing the law to permit more shops to trade on Sunday is made today by the authoritative Institute of Economic Affairs in its evidence to a Home Office inquiry into the present legislation.

The institute, in a paper written by Lord Harris, its director, and Mr Arthur Seldon, criticises trade unions and shopkeepers who want to restrict Sunday trading. The institute argues that the repeal of the present restrictive legislation would "raise the commercial efficiency of the retailing sector and enlarge consumer choice."

The authors call on the Home Office committee – which is expected to report in the early autumn – to "recommend the simple repeal of outdated restrictive statutes that are chiefly upheld by interest groups, none of which can seriously claim to speak for more than a small minority of producer interests, whether employers or employed."

They warn the committee to be wary of the "familiar imbalance between the vociferous, concentrated pressure of sectional interest groups and the muted, dispersed view of the general consumer interest."

Editorial comment, Page 16

How often do The Economist's predictions come true?

We're not really in the predictions business.

Even in 1851, when we infuriated our British readers by forecasting the industrial superiority of the United States, we didn't regard it as crystal-ball journalism.

The truth is, we've always found it difficult to write an article of consequence without looking at the consequences of certain actions.

On a number of occasions this fearlessness has made The Economist seem something of a prophet.

(Occasionally, it's made us seem merely foolish.)

We were among the first to foresee the plight of the Jews under Hitler.

Nearer to present times, in the early 1950s, we warned Western businessmen to watch out for Japan. (Earlier, we'd told America to watch out for Pearl Harbour.)

In 1974, in the middle of the oil crisis, we forecast an energy glut by the end of the decade, much to the fury of Shell and the other oil companies.

And in 1982, we asked in a headline "Has young Lochinvar come out of the West?"

We were writing about Gary Hart, then an unknown Senator from Colorado.

Of course, sometimes we've got it wrong (sorry about Korea) and doubtless we'll err again.

The occasional misjudgment, it seems to us, is better than no judgments at all.

The Economist doesn't sit on the fence. It's opinionated, independent, even quirky.

If you've never tried it we can safely predict you'll be surprised by its style and its scope.

It believes in good writing and it puts its stories across with gusto and glee.

It may give you a head start; it won't give you a headache.

Finally, we feel we should comment on the question posed by our photograph. Will there be a black Pope?

After some consultation, we've decided that this issue is best left to an even Higher Authority than The Economist.

The Economist

UK NEWS

Renault chief predicts record UK car sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A CONFIDENT prediction that the UK car market will reach a record 1.8m vehicles in 1984 has been made by Mr Patrick Faure, managing director of Renault's British subsidiary.

Mr Faure is out of step with the rest of the industry, which expects car sales to fall back from last year's peak of 1.79m. The Society of Motor Manufacturers and Traders, which represents all the large companies in the industry, is keeping to its forecast that this year's registrations will be only 1.75m.

Mr Faure claims, however, that he was one of the very few people in the UK industry to have forecast last year's record sales.

He pointed out that, given the size of population and the underlying demand for new cars, Britain should have a 2m a year car market. He said that in 1984 the UK economy was picking up and inflation and interest rates were coming down, which all indicated another record year.

The statistics so far support Mr Faure's prediction. New car sales by the end of February were a record and 5.7 per cent higher than in the same period of 1983.

Mr Faure confirmed that Renault expects to sell about 76,000 vehicles in Britain this year, including 68,000 cars. This would take its car market share up to about 4 per cent, compared with 3.51 per cent (62,923 units) last year.

Renault's market share would be 5 per cent in 1986, Mr Faure said, because by then the complete car range would have been replaced – including the best-selling R5 and the medium-sized R18. No model would be more than three years old.

Mr Faure reported that the number of Renault dealers in Britain had been reduced from 540 to 350. He believed that the right level for the network was about 380 to 400.

Property tax to rise 5%

BY ROBIN PAULEY

THE AVERAGE rise in English rates (property taxes) on business and commercial premises will be 5.1 per cent this year, according to an analysis by the Chartered Institute of Public Finance and Accountancy (CIPFA). The average rise for domestic ratepayers will be about 5.7 per cent.

The increases are the lowest since local government was reorganised in 1974.

As usual, there is a wide disparity between rate rises in different local authority areas, some being more than 15 per cent, or three times the expected inflation rate for the year.

Inner London ratepayers again face the largest increases – 7.5 per cent more for the average domestic rate and 6.6 per cent for the non-domestic rate.

The changes mean that the average English domestic rate bill is likely to rise to about £320 in 1984-85, an increase of about 34p a week.

CIPFA says its analysis shows "Government pressure is having an effect and local authorities have made significant reductions in their real spending levels."

Hoverspeed may seek boost through £30m craft purchase

BY ANDREW FISHER, SHIPPING CORRESPONDENT

HOVERSPEED, the cross-Channel hovercraft operator recently acquired by its top management, is considering the acquisition of two new large craft at a total cost of about £30m.

The company aims to increase capacity without adding to fuel costs and is talking to British Hovercraft Corporation, part of the Westland group, about possible orders for jet-engined craft in the next two years.

Hoverspeed has lost heavily in the past two years, but according to Mr Gerry Draper, the new deputy chairman and acting managing director, last year's net loss of about £3m was well down on the 1982 figure of £7m.

In the financial year to October 1984 the company expects to "make a small profit." Mr Draper said marketing and reservation operations had been strengthened, and Hoverspeed hoped to improve on last year's passenger total of around 2m.

Mr Draper, a former British Airways marketing director, said each new £15m Hovercraft would be able to carry 650 passengers compared with 450 on the two largest of its present fleet of six. Car capacity would also be higher.

"We aim to create new traffic and increase our share of the market," he said. Hoverspeed was formed in 1981 from the merger of British Rail's Seaspeed and the Swedish-owned Hoverlloyd.

Ownership was transferred last month to a group of directors and executives for a nominal sum by the joint owners, BR and Brostroms of Sweden. Mr John Cumberland resigned as chief executive late last year and Mr Draper entered as acting managing director.

The possibility that Hoverspeed would pull out of the cross-Channel market in the next few years, if there was no dramatic improvement in financial performance, was raised by stockbrokers Phillips and Drew in a review of the sector.

The stockbrokers said this could allow the remaining operators to improve profits substantially.

Mr Draper said the conclusions about Hoverspeed had been made on the basis of its past management and operating approach, adding that "there has been a total change of management style."

Duty-free sales peg ferry fares

BY OUR SHIPPING CORRESPONDENT

BRITAIN'S cross-Channel ferry companies would have to increase passenger fares by at least 15 per cent without earnings from duty-free liquor and cigarette sales, according to an industry review.

Stockbrokers Phillips and Drew have estimated that ferry operators make profits of more that £30m a year from sales of duty-free goods.

"Without duty-free profits, we believe that ferry operators, with the possible exception of European Ferries, would be loss-making," said Mr Richard Hannah and Mr Chris Burbridge, analysts who produced the Phillips and Drew review of the industry.

Three years ago the ferry companies were floundering. A fierce price war had taken its toll of profits and 1981 proved to be a disastrous year financially for European Ferries (owner of Townsend Thoresen), Sealink, and P & O Ferries.

Phillips and Drew have estimated that 1983 profits, still to be reported, will show a pre-tax total of £21.5m for the three companies on ferry operations – £15m (£12.8m profit in 1982) for European Ferries, £4.5m (1982 loss of £6.4m) for Sealink, including its harbours profits and £2m (nil in 1982) for P & O.

This year Sealink could double profits to £9m through further gains in traffic and efficiency. The company, owned by British Rail, is due to be privatised this year. Trafalgar House, P & O, and Sea Containers, as well as a consortium formed by merchant bank Charterhouse Japhet and including National Freight Consortium, have all expressed interest.

Sealink's price could be £70m or more, depending on what happens to its £154m debt (1982 figure). The analysts did not calculate a likely sale price, but said the £28m of loan stock and the sum due to parent BR (£52m in 1982) would probably be written off before the sale.

The Phillips and Drew study reckoned that European Ferries last year had 35 per cent of passenger volume through Britain's main cross-Channel port of Dover, against 34 per cent for Sealink (including its continental partners), and 16 per cent for P & O. The rest was mostly accounted for by Hoverspeed, the hovercraft operator.

European Ferries was even further ahead in terms of vehicles and freight volume. Since 1978, said the stockbrokers, the cost in real terms – after adjusting for inflation – of crossing the Channel had risen by 20 per cent for peak holiday months and fallen by 35 per cent for the off-peak periods.

Sealink and P &O have shown the greatest rates of improvement in efficiency in the last four years.

Counting the cost of expatriate life in Asia

By James McDonald

A BRITISH company considering installing an expatriate manager in Tokyo must expect to spend £161,000 in the first year on the manager's salary, car, accommodation and allowances.

The cost of furnishing Tokyo offices for two executives and one secretary – a total of 100 square metres – could come to £13,700, according to a Confederation of British Industry (CBI) review of Asian living costs for British expatriates.

A British company wanting to go to the cheaper end of the Asian cost of living scale for expatriates, would find Sri Lanka attractive, where an estimated £11,000 will establish a manager and include salary, car, accommodation and allowances.

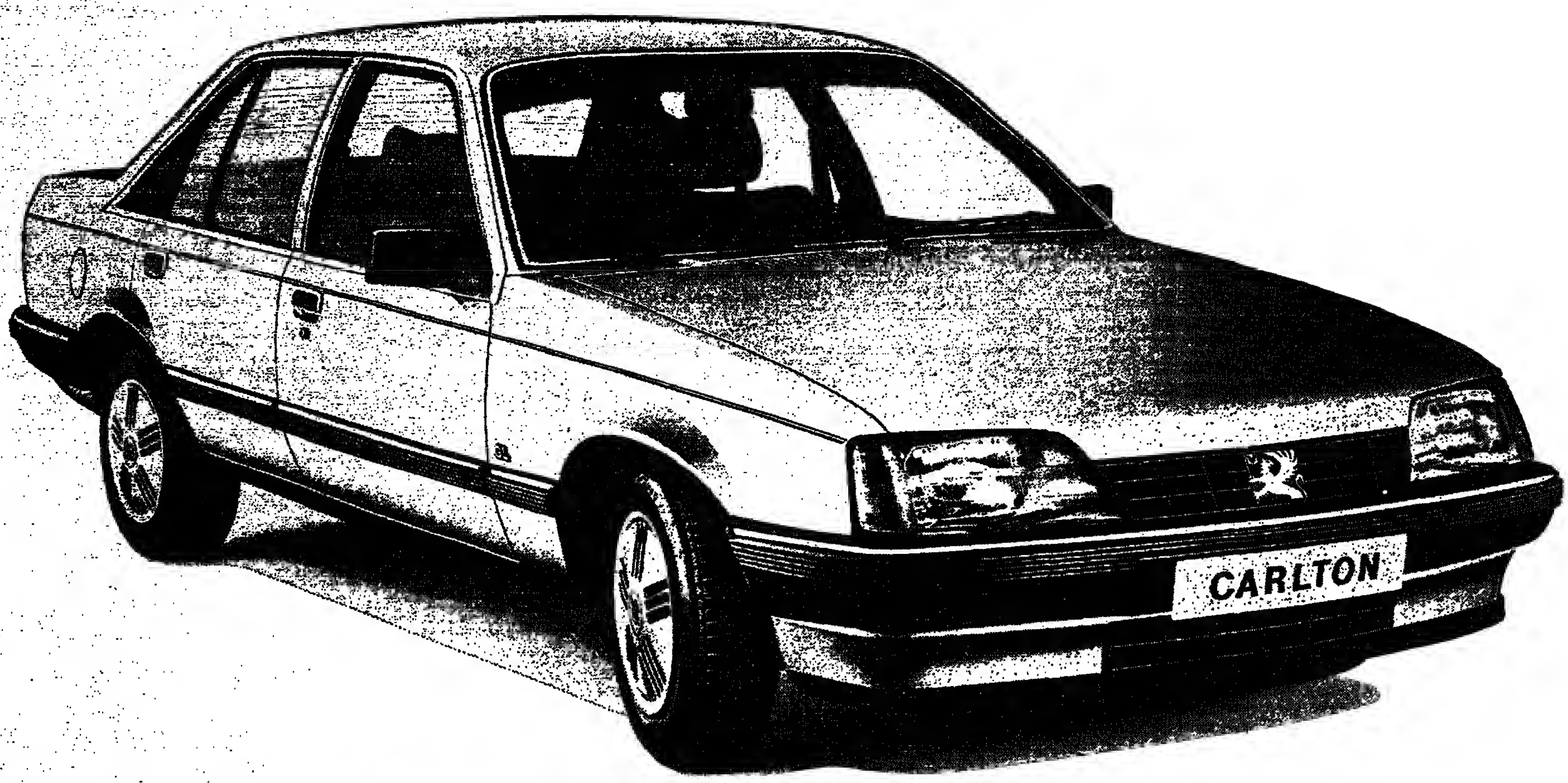
The CBI booklet demonstrates how living, office and entertainment costs vary widely in Far Eastern countries and it provides basic costings for companies wanting to set up industrial or sales operations.

Between the Japanese and Sri Lankan extremes in costs there is: Pakistan – £27,000 to £30,000; Malaysia – £33,846 to £141,443 per annum; Indonesia – £75,549; Republic of Korea – £64,000 to £83,000; Taiwan – £58,091 per annum; Singapore – £62,112; and the Philippines – £73,846.

The food costs for an expatriate family of four must also be calculated by any company and they vary widely throughout the Far East. In Tokyo the average weekly food bill totals £192, compared with: £48 in Bangladesh; £40 to £44 in Hong Kong; £65 in India; £102 in Indonesia; £256 in the Republic of Korea; nearly £58 in Malaysia; £63 in Pakistan; £86 in the Philippines; £78 in Singapore; and £82 in Sri Lanka.

Eating out costs for expatriates also vary considerably throughout the Far East. In Tokyo, an evening meal for four in a fashionable restaurant – three courses with aperitif and wine – costs £247. This compares with £40 in Pakistan, £49 in New Delhi and £81 in Hong Kong.

"Asian Living Costs 1984", CBI Publication Sales, Centre Point, 103 New Oxford Street, London, WC1, £18.


CARLTON

£5m batch for Bowey

BOWEY CONSTRUCTION, Newcastle, has won contracts totalling over £5m. The biggest, for just under £1.25m is the fourth phase of modernisation of three-storey housing in Longbenton for North Tyneside Borough Council; followed by a £1m revitalisation of 91 homes in Widdrington, Northumberland for Castle Morpeth Borough Council. In another project in Howdon for North Tyneside, the company is building 26 homes for £476,000. There is a £500,000 scheme of 28 flats at Ravenslaw, Alnwick and a £480,000 contract for 29 2-bed homes at Wallsend. Work is to start soon on a £366,000 block of 18 flats in Hawthorn Terrace, Elswick and on the conversion of the Abbeyfield Society's Ravenslaw House in Alnwick to provide 11 flats for the elderly.

★

Work has started on the construction of McCARTHY & STONE'S Homeshore House, a £1.75m warden-assisted sheltered homes scheme in Sutton Road, Seaford. The project is due for completion in December.

CONTRUCTION CONTRACTS

£22m work for Lilley Group

F. J. G. LILLEY group has been awarded contracts totalling £5.65m in the UK and £17m in the U.S., made up as follows: Eden Construction — New gatehouse complex at HM Prison, Durham, for Home Office, value £3m; and resurfacing at Kemplay roundabout for Cumbria County Council, value £100,000. Melville Dundas and Whitson—construction of blocks 1 and 2 at Righead Industrial Estate, Bellshill, for Scottish Development Agency, value £600,000; modernisation of Union Street offices at Glasgow Central Station for British Rail Board, value £925,000; and grain processing complex at Leith for I. M. Cowie and Co, value £180,000. John Lawlor—day nursery at Broom Avenue, Manchester, for City of Manchester, value £300,000. Lilley Construction—Springburn distributor road for Strathclyde regional Council, value £250,000; and Longriggend sewage treatment works extension for Scottish Home and Health Department, value £300,000. Harrison Western Corp — Lasalle subway station, Buffalo, for Niagara Frontier Transportation Authority, value $13m (£9m); and Jones Island siphons (shaft sinking and tunnel works) for Milwaukee Metropolitan Sewer district, value $12m (£8m).

★

REES HOUGH (CIVIL ENGINEERING) has been awarded tunnelling and general civil engineering contracts totalling over £3m. The awards include two sewerage contracts together valued at over £1m in Dartford and in Colchester. The Dartford project is the second phase of the central area foul water re-drainage scheme and includes over 500 metres of 1050mm pipe jack. In Colchester 500 metres of main interceptor sewer are being installed for the borough council acting as agents for the Anglian Water Authority. Other contracts include two major pumping stations, a £1.2m project at Rock-a-Nore, on the foreshore adjacent to Hastings yacht club and a £500,000 replacement pumping station and associated tunnels at Chickenhall, near Eastleigh, for the Southern Water Authority.

★

GLEESON (SHEFFIELD), a subsidiary of M.J. Gleeson Group has been awarded three refurbishment projects worth over £2.4m. In Sheffield a contract worth £629,000 on behalf of the City of Sheffield is for the refurbishment of a Victorian three-storey tenement block of 54 flats known as Hawley Street, Phase I, Townhead Street. Also for the City of Sheffield at Parsons Cross, Lindsay, Phase I improvements and repairs costing £616,000, will involve structural and non-structural repairs, re-modelling and refurbishment to 211 houses, mainly with the tenant in occupation. In Manchester at Bollington Road, work worth £1.2m for Manchester City Council. The project involves improvement of 94 houses including structural conversion of two four-storey blocks to form 16 two-storey houses by demolishing the top two storeys and providing a new pitched roof. Most of the houses will remain occupied while the work continues. Completion is due in February 1985.

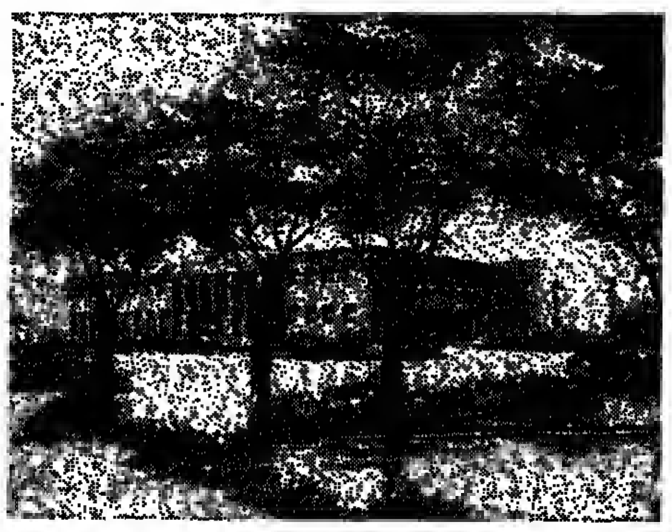
★

CEMENTATION GROUND ENGINEERING, a division of Cementation Piling & Foundations—a Trafalgar House company — has started work on a £900,000 contract for the consolidation of old mine workings under the site of the proposed ASDA supermarket and car parking area, Niddrie Road, Edinburgh. The client is Associated Dairies.

★

LOVELL FARROW CONSTRUCTION has started a £1.6m new-build and refurbishment contract which will provide 2,680 sq metres of office space for Feastbrook, part of the Declan Kelly Group. Lovell Farrow will refurbish the 200-year-old Edgware House, at Burnt Oak Broadway, Edgware, a listed building, and build an L-shaped four-storey block of 2,300 sq metres.

HQ for Volvo BM



An artist's impression of the new headquarters to be built for Volvo BM UK. A contract worth over £3m has been awarded to RATTEE AND KETT, part of the Mowlem construction group. Volvo BM is the Volvo group's construction equipment division, and the UK headquarters will be sited at Duxford, near Cambridge, near the A505 and M11, providing access to other major routes. The steel-framed structure will consist of a two-storey brick-clad administration building of 2,000 sq metres, connected to a 4,000 sq metres metal-clad operations and ancillary works complex. The contract, which has just started, includes 14,000 sq metres of hard-standing and service area together with landscaping of the nine-acre site. This project is being financed by using a tax-efficient package introduced to Volvo BM by Mowlem Property Developments

APPOINTMENTS

Southern Electricity chairman named

Mr Duncan Ross, chairman of the South Wales Electricity Board, has been appointed chairman of the SOUTHERN ELECTRICITY BOARD. He takes up his appointment on April 1, following the retirement of Mr John Wedgwood.

★

WAVERLEY ASSET MANAGEMENT has appointed Mr Willie McLucas as managing director. He will be responsible for investment management of Waverley's new Australasian Gold Fund.

★

Mr George Rutherford has been made a director of WOODCOTE PUBLICATIONS, the W. S. Atkins Group's commercial litho printing company based at Woodcote Side, Epsom.

★

Mr Graham J. Wentzell, an associate director of R. M. DOUGLAS CONSTRUCTION, is to run the company's newly formed management contracting division.

★

CEMENTATION INTERNATIONAL, overseas civil engineering and building arm of the Trafalgar House Group, has made two appointments to its main board. Mr Stephen Westaway becomes estimating director. One of his more recent areas of work is the Sultan University, Oman. Mr John McBrearty has been appointed surveying director. He was previously with the Tarmac Group as commercial director of the international division.

★

Mr James Fowler has been appointed a non-executive director of TRIPLEX FOUNDRIES GROUP. From 1976 he was commercial director at Round Oak Steel Works until its closure in December 1982.

★

Dr Eric Duckworth has been appointed a director of the FLEMING TECHNOLOGY INVESTMENT TRUST. He is managing director of Fulmer Research Institute.

★

Mr Ian Raw has been appointed to the board of JAMES HALSTEAD, floor covering subsidiary of the James Halstead Group. He was previously production manager.

★

Mr Keith Bedford, has been appointed managing director of BERNHARD'S RUGBY LANDSCAPES. He was a regional director with Bovis Construction.

★

The ROYAL WARRANT HOLDERS ASSOCIATION has elected the following for the ensuing year: president, Sir Michael Colman, director, Reckitt and Colman; vice-president, Count Alain de Vogue, chairman and managing director, Veuve Clicquot-Ponsardin; hon treasurer, Mr Edward Rayne, chairman and managing director, H. and M. Rayne.

★

Mr Roderick J. Heather has been appointed group marketing director of UCC INTERNATIONAL GROUP and will be responsible for the worldwide marketing and distribution of UCC's fluid power products. He joins from DJB Engineering.

★

ECONOMIC INSURANCE CO, now a subsidiary of the Hafnia Insurance Group of Denmark, has appointed the following as a new board: Mr P. O. V. Hansen, Mr M. H. Loppenthien, Mr H. H. Koefoed, Mr O. H. Hansen, and Mr A. D. G. Tidy.

★

Mr John Sadler, finance director of the JOHN LEWIS PARTNERSHIP, is also to become deputy chairman from April 23. He has been a member of the Monopolies and Mergers Commission since 1973. Mr Sadler replaces Mr J. A. Powell, the present deputy chairman, who has reached retirement.

★

Mr Philip Walker, chairman of CHAPMAN INDUSTRIES is to retire on March 31. Mr Peter Davies, deputy chairman, will succeed him.

★

Mr Viv Thomas has been appointed to a new post of general manager commercial trade, BP OIL, following the retirement of Mr Ted Hawkes, general manager sales. Mr Thomas is manager commercial division.

★

Mr Freddy "Jock" Gunn has retired as sales director of AI PACKAGINGS. Mr Brian Wright joins the board as sales director. Mr Wright was purchasing manager, and is succeeded by Mr John Haines.

★

BRADFORD-PENNINE INSURANCE has appointed Mr E. Pearson as deputy general manager.

★

Mr Anthony Hammond has been appointed a director of ENSKILDA SECURITIES, responsible for administration; Mr Robert Chillcott becomes an assistant director responsible for floating rate note trading.

★

Mr Jeffrey W. Blake has been appointed chairman and chief executive of BLAKE BELL DAVIS. Mr Eric Greatorex-Bell has resigned from the board.

★

L & M has appointed Mr Michael Barrett as managing director. He was at Linotype-Paul, Cheltenham, as production and management services director.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Daily Mail Ideal Home Exhibition (01-222 9341) (until April 1) Earls Court

March 12-16
International Rubber Exhibition and Conference—RUBBEREX (01-588 7788) NEC, Birmingham

March 13-15
Computer Trade Show (01-643 8040) Wembley

March 13-16
London Fashion Fair (01-385 1200) Olympia

March 16-17
Financial Weekly "Over the Counter" market conference and Exhibition (01-629 4288) Glaziers Hall, SE1

March 19-22
Materials Testing Exhibition (St Albans (0727) 68213) NEC Birmingham

March 20-23
Central and Local Government Show and Conference (01-680 4200) Wembley

March 21-23
Fashion Fabrex (01-379 5588) Olympia

March 21-23
Exhibition of Goods and Services for Conference and Exhibition Organisers — CONFEX (01-908 2122) Barbican

March 28-30
The New Motor Trader Show (01-643 8040) Wembley

April 2-6
International Heating, Ventilation, Air Conditioning and Building Services Exhibition (021-705 6707) NEC Birmingham

April 3-5
Computer-Aided Design Conference and Exhibition—CAD (01-643 8040) Brighton

April 9-12
Audio Visual Exhibition (01-688 7788) Wembley

April 9-13
International Fire Exhibition—LIFE (01-387 5050) Olympia

April 16-18
Solids Handling Exhibition—SOLIDEX (Uxbridge (0895) 58431) Harrogate

OVERSEAS TRADE FAIRS

March 12-15
International Electrical and Electronic Engineering Show — ELENEX (01-486 1951) Hong Kong

March 13-15
The Semicon/Europa Electronics Show (01-353 8807) Zurich

March 14-18
Scandinavian Travel and Tourism Exhibition (45.1.51.88.11) Copenhagen

March 23-26
Fast Food Exhibition (01-439 3964) Paris

March 24-26
International Footwear Trade Fair (01-493 8393) Dusseldorf

March 30-April 1
Overseas Property Exhibition (01-487 2622) Hong Kong

April 2-4
Saudi Oil Show (01-486 3741) Saudi Arabia

April 3-6
International Technology Exchange Fair — TechEx '84 (01-584 5749) Florida

April 4-11
Hanover Fair (01-651 2191) Hanover

April 11-15
International Fur Trade Fair (01-734 0543) Frankfurt

April 24-27
Food and Hotel Asia (01-486 1951) Singapore

April 30-May 4
Direct Marketing Symposium and Exhibition (01/69 48 20) Montreux

BUSINESS AND MANAGEMENT CONFERENCES

March 12-13
FT Conference: Pensions in 1984—a time for change (01-621 1355) Dorchester Hotel, W1

March 14
Institute of Credit Management: National Conference (Stamford (0780) 56777) London Hilton, W1

March 21
Chatham House: Korea — hard decisions facing a successful economy (01-930 2233) 10, St James's Square, SW1

March 22-23
SERC/Netlon: Symposium on polymer grid reinforcement in civil engineering (01-836 3261) Institution of Civil Engineers, SW1

March 23
British Chamber of Commerce for Belgium and Luxembourg: The small and medium-sized enterprise as an instrument of foreign investment in Belgium ((02) 219 07 88) Brussels

March 27-28
FT Conference: The second automated manufacturing conference—tools for competition (01-621 1355) Inter-Continental Hotel, W1

March 28
ESC: Acquiring and funding a U.S. business (Uppingham (0572) 822711) Selfridge Hotel, W1

March 28
City Business Conference: Setting up a portable pension scheme (01-727 5120) CFS conference centre, W1

March 28
Liffe: Financial futures for pension funds (01-623 0444) City Conference Centre, EC3

March 28-29
Gulf Energy Convention (01-486 3741) Bahrain

April 3
Faculty of Law: Tax avoidance after the House of Lords' decision in Furniss v Dawson (01-283 1030) City of London Polytechnic, EC2

April 3-5
Marinetech North West: Ultrasound for the offshore and oil industry (061-273 3278) Manchester University

April 4-6
ISBA: World Industrial Advertising Congress (01-499 7502) Paris

April 5-6
FT Conference: Multinationals and European integration (01-621 1355) InterContinental Hotel, W1

April 8-10
Metal Bulletin: 2nd International Conference on Copper (01-330 4311) London Marriott Hotel, W1

April 11-12
FT Conference: European banking (01-621 1355) Milan

April 25-27
Insig: Banks and computers ((1) 763.07.24) Paris

April 26-28
Progress Foundation/IMF: money—a search for common ground ((091) 68 92 60) Lugano, Switzerland

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

COMPANY NOTICES

ROBECO

ROBECO N.V. ROTTERDAM

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held at the Hilton Hotel, Weena, Rotterdam, on Thursday, 29th March, 1984, at 15.00.

AGENDA

By Order of the Board of Managing Directors T. M. SCHOLTEN

Dated this 12th day of March, 1984. P.O. Box 973, Rotterdam.

ROLINCO

EXTRAORDINARY MEETING FOR SHAREHOLDERS OF ROLINCO N.V.

to be held at the Hilton Hotel, Weena, Rotterdam, on Thursday, 29th March 1984, at 15.30.

AGENDA

By order of the Board of Managing Directors T. M. SCHOLTEN

Dated this 12th day of March 1984. P.O. Box 973, Rotterdam.

NOTICE TO HOLDERS OF U.S.$100,000,000 10¾% NOTES DUE 1985 OF MITSUBISHI CORPORATION

Ford

BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 13 January 1984, NOTICE is now given that the following DISTRIBUTION will become payable on or after 14 March 1984.

Gross Distribution per Unit	1.500 cents
Less 15% U.S.A. Withholding Tax	0.225 cents
	1.275 cents
Converted at $1.4950	=£0.00852842

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2, on special forms obtainable from that Office.

United Kingdom banks and members of the Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

7 March 1984.

ENGLISH AND DUTCH INVESTMENT TRUST
(N.V. Engelsch-Hollandsche Beleggings Trust)
Established in Amsterdam

NOTICE IS HEREBY GIVEN that a MEETING of the holders of the Participation Certificates issued pursuant to the Agreement of the 4th April 1928 and Supplemental Agreement of the 14th April 1951 (with certain Conditions thereto since modified) of which Royal Exchange Assurance is the present Trustee ("the Trustee") will be held at the offices of Hill Samuel & Co Ltd., 45 Beech Street, London EC2P 2LX on Monday the 19th March 1984 at three forty-five o'clock in the afternoon

ROYAL EXCHANGE ASSURANCE

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

NOTICE IS HEREBY GIVEN that the 143rd Annual General Meeting of the Association will be held in the Armourer's Hall, Armourers & Brasiers' Company, 81 Coleman Street, London EC2R 5BJ on Wednesday, 4 April 1984 at 12.30 pm to include the following:

1 To adopt the Report and Accounts for 1983.

G. W. STIRLING, Secretary.

12 March 1984

H. J. HEINZ COMPANY LIMITED

NEDLIBRA FINANCE B.V.
US$25,000,000 Guaranteed Floating Rate Notes due 1993
Guaranteed on a subordinated basis by
LIBRA BANK LIMITED

For the three months 12th March, 1984 to 12th June, 1984, the Notes will bear an interest rate of 10⅞% per annum and the coupon amount per US$100,000 will be US$ 2,715.28

CONTRACTS & TENDERS

LEBANON

TENDERS FOR THE SUPPLY OF EQUIPMENT FOR THE PORT OF BEIRUT

Due to the prevailing situation, the Council for Development and Reconstruction of Lebanon—Port Commission announces the postponement of the adjudication of tenders due to take place on March 15th at 10h.00 a.m. and its extension to April 19th at 10h.00 (local time).

The adjudication will take place at the same address as announced previously.

Sealed bids must be received at the Port Commission offices not later than noon on the last working day preceding the date of adjudication.

THE COUNCIL FOR THE DEVELOPMENT AND RECONSTRUCTION FOR LEBANON

LEGAL NOTICES

IN THE MATTER OF SEW-KNIT (BIRMINGHAM) LIMITED t/a S. K. DISCOUNT WAREHOUSES AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March, 1984, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned

Dated this 1st day of March 1984.

BRIAN MILLS, Joint Liquidator.

PERSONAL

CLUBS

ART GALLERIES

MALL GALLERIES, The Mall, SW1. ROYAL INSTITUTE OF PAINTERS IN WATER-COLOURS. 10-25 March. Mon.-Sat. 10-5. Adm. £1.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

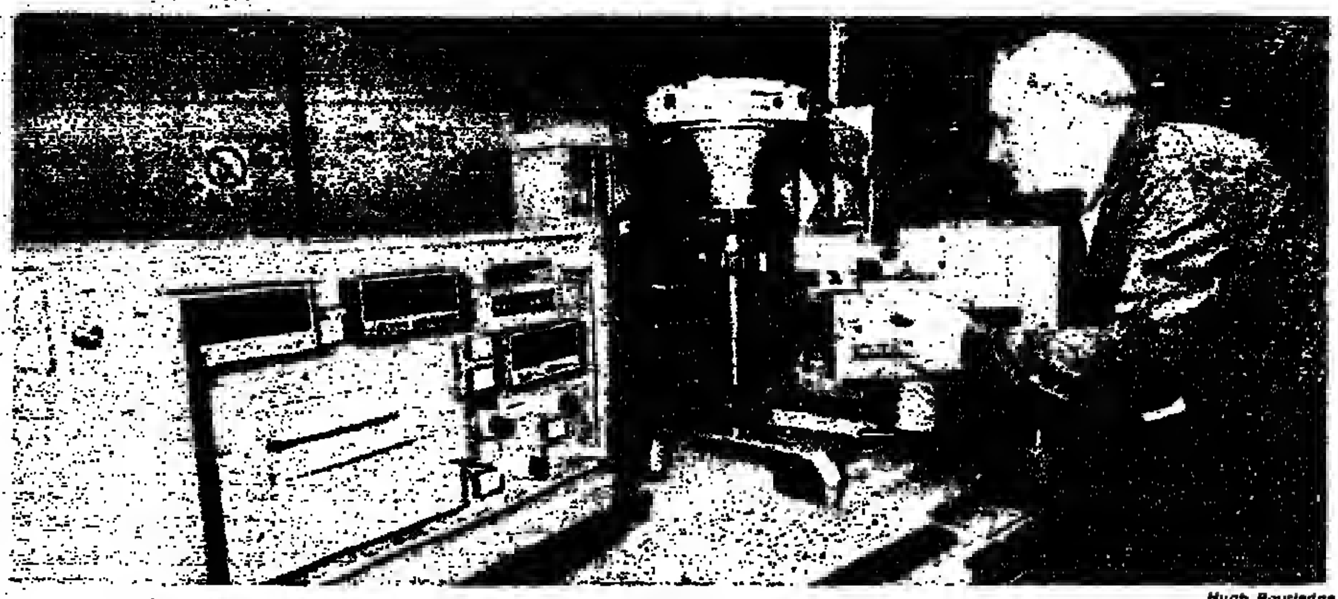
	Date	Announcement last year
Adwest	Apr 15	Interim 2.1
Anglo American Inv Trust	Apr 14	Final 440c
Equip	Mar 21	Interim 0.35
Ass Brit Ports	Apr 14	Final due
*Automotive Products	Apr 20	Final nil
BAT Inds	Apr 7	Final 15.0
BCA	Mar 17	Interim 2.0
*BICC	Mar 21	Final 7.04
BL	Mar 19	Final nil
BP	Mar 17	Final 14.0
BPCC	Apr 5	Final 5.01
*BTR	Mar 14	Final 5.25
Babcock Intl	Mar 30	Final 3.6
Bank of Scotland	Apr 19	Final 13.6
*Barratt Develpts	Mar 13	Interim 4.2
Barrow Hepburn	Apr 20	Final 1.4
*Belam	Mar 15	Interim 1.5
Bell (A.)	Mar 23	Interim 2.0
*Bibby (J.)	Mar 20	Final 5.15
Blackwood Hodge	Apr 15	Final nil
Boddingtons' Brews	Mar 20	Final 2.25
Booker McConnell	Mar 29	Final 2.25
Bowater	Mar 29	Final 3.8
*Brent Chems Intl	Mar 27	Final 1.9
British Aerospace	Mar 29	Final 5.2
*Britoil	Mar 23	Final 3.75
Brixton Estate	Apr 20	Final 2.3
*Brooke Bond	Mar 16	Interim 1.25
Brown Boveri Kent	Apr 14	Final nil
Bryant	Apr 11	Interim 1.0
*Bunzl	Apr 2	Final 4.5
Burmah Oil	Apr 13	Final 7.6
Burton	Mar 22	Interim 3.1
*Cement Roadstone	Mar 14	Final 3.58
Coates Bros	Apr 5	Final 2.42
Combined English Strs	Apr 19	Final 0.33
Crode Intl	Apr 7	Final due
Currys	Apr 18	Final 6.75
*DBG	Mar 29	Interim 6.5
*De Beers	Mar 13	Final 25c
*Delta	Mar 27	Final 1.58
Dubilier	Apr 20	Interim 0.9
Dunlop	Apr 21	Final nil
Eastern Produce	Mar 14	Final 3.5
*Exco Intl	Mar 26	Final 3.1
Expamet Intl	Apr 12	Final 2.5
Feb Intnl	Apr 15	Final 1.65
Freemans	Mar 29	Final 2.25
Gill and Duffus	Apr 13	Final 4.8
Glaxo	Apr 11	Interim 2.75
*GKN	Mar 14	Final 4.0
GRE	Mar 29	Final 12.5
Glynwed	Mar 26	Final 4.9
Hambro Life	Apr 18	Final 8.375
Harris Queensway	Mar 25	Final 4.0
Hawker Siddeley	Apr 20	Final 6.1
*Hepworth Ceramic	Mar 21	Final 3.35
Higgs & Hill	Apr 13	Final 5.75
*HK Shanghai Bank	Mar 28	Final HK80.37
Hoover	Feb 17	Final nil
Horizon Travel	Mar 12	Final 2.8
*IMI	Mar 12	Final 2.0
*Ibstock Johnsen	Mar 29	Final 3.0

	Date	Announcement last year
*Kleinwort Benson	Mar 20	Final 8.0
Kwik Save	Apr 15	Interim 2.3
LWT	Mar 23	Interim 4.494
Ladbroke	Apr 7	Final 4.3
*Laing Props	Mar 20	Final 3.0
Laporte	Apr 21	Final 5.25
Laird Group	Apr 8	Final 2.1
Legal and General	Mar 30	Final 11.0
Lex Service	Mar 25	Final 5.0
*Lasmo	Mar 13	Final 6.5
*Low and Bonar	Mar 26	Final 3.0
*Lucas Inds	Mar 28	Interim 2.8
Mills & Allen	Mar 14	Interim 4.0
Minet	Apr 20	Final 2.1
Morgan Crucible	Apr 14	Final 4.0
NEI	Apr 12	Final 3.25
Newarthill	Apr 14	Final 9.0
Ocean Transport	Mar 23	Final 2.35
*Paterson Zochonis	Mar 20	Interim 1.33
*Peachey Prop	Mar 20	Interim 2.25
Phoenix Assur	Apr 9	Final 10.2
Pritchard Services	Mar 24	Final 2.1
*Prudential	Mar 28	Final 10.0
Queens Moat Houses	Apr 11	Final 0.805
RMC	Apr 20	Final 6.5
*Reckitt and Colman	Mar 27	Final 6.6
Reed (Austin)	Apr 14	Final 3.5
*Rentokil	Mar 20	Final 2.06
Rio Tinto-Zinc	Apr 14	Final 10.5
Rockware	Apr 13	Final nil
*Rowntree Mackintosh	Mar 14	Final 5.9
*Royal Dutch Petroleum	Mar 19	Final Fl 4.65
Ruberoid	Apr 6	Final 4.0
Rugby Portland Cement	Apr 11	Final 2.9
Scottish Metro Pro	Apr 8	Interim 1.5
*Sedgwick	Mar 16	Final 4.5
Senior Eng	Apr 6	Final 0.75
*Shell Transport	Mar 15	Final 12.8
Slough Ests	Mar 23	Final 2.075
Smith and Nephew	Mar 22	Final 2.8
Smith (W.H.)	Apr 20	Final 4.25
Smiths Inds	Apr 12	Interim 4.0
Standard Chartered Bk	Mar 22	Final 17.5
Steetley	Mar 12	Final 3.0
*Sun Alliance	Apr 4	Final 28.5
Superdrug	Mar 29	Final due
*TI	Mar 15	Final 5.0
Taylor Woodrow	Apr 14	Final 14.0
*Transport Develpmnt	Mar 15	Final 3.0
Tricentrol	Mar 24	Final 5.6
*Turner and Newall	Mar 21	Final nil
*Ultramar	Mar 14	Final 8.8
*Utd Biscuits	Mar 16	Final 3.55
*United Newspapers	Mar 22	Final 3.55
Vosper	Mar 29	Final 3.0
Weir	Mar 30	Final 1.75
Wilson (Connolly)	Apr 13	Final 2.25
*Wilkie Fabel	Mar 20	Final 2.35
*Wimpey (G.)	Mar 29	Final 2.10
*Wolseley-Hughes	Mar 12	Interim 6.06

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



At Eaton's transmission division, computers check the quality of a gear which can hold a 38-ton truck on a hill — Hugh Routledge

How Eaton achieved a zero defect rate

Nick Garnett opens an occasional series on product quality

ONE OF the critical production tools for Eaton Corporation's European truck components operation is a wad of sheets listing scores of foundries, forgemasters and bearing suppliers. Alongside their names are grouped a series of numbers and, every so often, a line of stars from one to about eight.

The sheets form Eaton's vendor ranking system, a compilation of its confidence, updated every few months, in the ability of individual suppliers to meet set quality targets for components which go into the U.S. company's drive axles and medium and heavy duty gearboxes.

The numbers represent Eaton's confidence measured up to 100 per cent for every supplied part number and the stars are a gauge of those companies whose quality standards have slipped below par. The more stars the more likely it is that the supplier will fail to keep Eaton business unless he pulls his socks up.

From Eaton's point of view it is poor quality or uncompetitive price which has driven many British companies off its vendor list in fxvour of foreign manufacturers. Eaton's buying pattern, though, partly reflects price factors, such as currency movements over which British component suppliers have no control.

Eaton's suppliers are simply having the same pressure placed upon them that Eaton places upon itself. The ranking sheets are just part of a wider process nf statistical control to improve quality.

This includes the collection of and procedures for using a mass of day-by-day information on how the company's own machines are behaving in the hands of its machine operators.

The result of using procedures such as these has been a marked improvement in the quality of Eaton's products, particularly over the past year. Leyland Trucks, one of the myriad of OEMs (original equipment manufacturers) Eaton supplies with its Fuller gearboxes, informed the company last December that it was the first engine, gearbox or axle supplier to achieve a zero defect rate.

It used not to be like that. In the late 1970s Eaton, which employs 2,000 in Europe with manufacturing sites in Britain, France and Spain, carried out a study into what truck makers thought of its product. It didn't like what it heard: Potentially good products but problems with quality and the company's ability to respond to changes in specification requirements, came the reply. "I felt distinctly uncomfortable," says Alan Best, European Operations manager.

Some of its difficulties arose from machining. Stud holes might be drilled slightly out of position or the shaft from the front of the gearbox into the clutch plates would be ground marginally oversize. Paintwork on casings wouldn't be up to scratch or there would be evidence of rust.

Some of these problems were rooted in the shopfloors of Eaton's suppliers, but Eaton itself showed a general inability to respond quickly to small specification changes made by the truck assemblers—*the* route of a hose for example or the positioning of a coupling flange.

Many of these problems were small enough to be rectified on the truck assembly lines and some were not strictly quality issues at all, but the overall impression Eaton was creating was not good.

At the same time quality pressures were mounting as truck markets shrank. Best remembers the philosophy of the industry during the massive expansion of the 1960s and 1970s. "It didn't have to be good it just had to be made."

After the report on its quality image Eaton began to rectify the problem. Fortuitously, perhaps, a fire at the company's Walkden plant on the edge of Manchester offered Eaton the opportunity to construct a new facility.

The quality department was involved in the re-equiping of the new plant, which came into production in 1981. As part of that instruments were incorporated on machines for guaging machining work and free-standing inspection equipment was introduced.

Best argues, though, that it is not the type of guaging and inspection which is important. The other Eaton plants have less modern equipment but the same overall quality requirements are placed upon them. What is important is the setting of quality targets and installation of procedures that enable statistical information to be used in respect of in-house and supplier manufacturing activities.

Eaton's target was a reject rate of less than 1 per cent. Capability studies were carried out on all machines. This, for example, provided the main clues as to the frequency of inspection required on lathe turning. Quality audits revealed a problem with the clutch housings Eaton made in-house and detailed machine capability studies again revealed both the limitations of the manufacturing equipment and the level of inspection needed to maintain quality.

Sampling analysis to produce statistical probabilities on which the frequency nf tool changes or re-adjustments are based is also applied to bought-in items. A quality control survey on a vendor-supplied shaft which runs through the transmission gears showed that the shaft had a tendency to be ground oversize. Discussions with the part manufacturer resulted in more frequent adjustments to the grinding wheel.

Bob Jackson, the American manager of the Manchester plant, says the theory of statistical quality control has been known for decades but has been little used in British industry. Jackson, along with all the other Eaton plant managers and many of its machine operators, have been sent on statistical control courses to improve their understanding of the technique. Quality procedures have also allowed Eaton to follow the growing trend of inspection by machine operators at the point of production, allowing a reduction in specialist inspectors.

Under the vendor ranking system, any supplier falling below an Eaton confidence factor of 97 per cent (which means Eaton is taking a 3 per cent risk that it will not have to reject more than 0.5 per cent of parts from its supplier) starts to collect stars and will receive a telephone call or, more likely, a visit from Eaton's purchasing and quality departments. The problem will be chewed over, with Eaton offering assistance, if the supplier requires it.

This is a system developed since it was first introduced four years ago. At that time Eaton drew a line at a confidence factor of 65 per cent. Any supplier below that or failing to reach it within a short time was chopped from the list. Remaining suppliers were told that Eaton's objective has a confidence factor of at least 95 per cent.

Eaton says British suppliers (with some notable exceptions such as Garringtons, the GKN forgemaster) have performed badly on quality. Some make temporary efforts to improve but are not consistent. This compares with many foreign suppliers such as the French forgemaster, Aciers La Chiers, which *produces seven different* parts for Eaton, five of which give Eaton a 100 per cent confidence factor and with 99 per cent for the other two.

Neil Wade, Eaton's purchasing manager, says of foreign suppliers: "They don't let the rubbish out of the door and they check their tooling more often."

Six years ago 90 per cent of castings for Eaton's transmission operations were UK produced. Now it is just 10 per cent. Forgings were all supplied from the UK but now that's down to 40 per cent.

Eaton concedes, however, that although quality is crucial price is also very important. Supply trends reflect, for example, the currency exchange rate with the *Belgian franc* and export assistance provided by the Spanish government to its own prdoucers. The influence of price factors is at least as important as quality for forgings, though less so for castings.

Price *is by far the most* dominant factor for bearings, however. Quality hardly varies between bearing manufacturers yet supply from the UK to Eaton has collapsed from 100 per cent to 20 per cent, replaced largely by Japanese *manufacturers.*

In the drive to improve quality Eaton's "problem-solving circles" have had a small impact One notable example was the fitting of a stud to a shaft, made difficult because nf the amount of swarf *around the thread.* Members of one circle tracked back through the process and discovered first a tooling mistake, then a problem with heat treatment which was contributing to the swarf. Eventually they reached the conclusion that the stud could be made from material which did not need heat treatment at all.

Quality performance at Manchester is wrapped up in a forward looking labour policy, manifest in the recently completed second, three-year wage agreement which incorporated considerable labour flexibility and abolition of clocking on.

There are no special payments made to machine operators based on quality performance. "People here are desperately interested in quality. They are interested in their own success," says Best. "Given the ability to understand what they are doing, they become part of what you are trying to do. People get paid to do a job properly and it's our job to motivate them to do it properly. If a company has to pay them specially to get quality it has got to ask some deep questions about itself."

Production in the ascendant

BY MICHAEL DIXON

GUESS who wrote: "I would not say a man in business needs to know nothing at all about finance but he is better *off knowing too little than too* much, for if he becomes too expert . . . instead of being a businessman he will be a note juggler, trying to keep in the air a regular flock of bonds and notes."

The answer is Henry Ford*, who built his *success* on the philosophy that business's prime aim must always be to provide valued service to the community. If priority were given to merely financial objectives, he believed, industrial progress would inevitably be stifled.

Had he lived longer, Ford would no doubt have repeatedly shouted his better known saying — "History is bunk" — with particular reference to the recent history *of* industrial management in Britain at least. For, as the years went by, survey after survey showed that a growing proportion of the top managers of our industrial companies were predominantly specialists in finance as distinct *from production* or marketing.

Industrial

The survey trend was underlined by frequent, although usually *private,* laments from other managers.

But a sign that might have restored Ford's faith in Britain's industrial future has just appeared in a survey carried out by the Kiernan executive recruitment consultancy of the chief executives of 150 of its client companies. Of the unidentified companies 128 were in manufacturing and service industries and 22 in the financial sector. Ninety-five are British-owned, 43 American and two nf European parentage.

The study of the chief executives was made this year to check on how their character had changed since Kiernan made a similar survey covering a comparable sample of companies in 1974.

Then, specialisation in finance had a clear lead among the managerial functions through which the chiefs had risen to the top—55 per cent of them citing it as a decisive if not the only area of their previous executive experience. *Next came sales* which had formed at least part of the experience of 46 per cent, then marketiog at 36 per cent, Personnel at 30, production at 27 and engineering or technical management at 18 per cent.

Moreover, excluding *those* who had previously been chief executives of other companies, 23 per cent had stepped straight into the top job from the specialist role of financial director—exactly the same proportion who had *first gained experience across* the broad range of executive responsibilities in the role of general managers.

Ranking

The 1934 findings are impressively different.

The specialisation with a clear lead among the chiefs of today is production, cited by 49 per cent as an important if not the sole area of their previous experience. Then come sales with 36 per cent, mxrketing with *31*, and *even* engineering and technical management also with 31 before the ranking reaches financial management cited by only 28 per cent. Former experience in personnel is new reported by only a tenth.

What's more—again excluding those who had previously been chief executives elsewhere—only 7 per cent had gone straight to the top from a financial director's job. The proportion who had first gained broad experience as general managers is now 43 per cent.

If the philosophy behind Henry Ford's successful pioneering is germane to the innovative challenge facing British companies today, the company chiefs seem better fitted to act on his dictum that financial objectives should exist to serve industrial advance, and not the other way round, always provided that the new bosses keep in mind his other maxim that nevertheless "business must be run at a profit, else it will die."

**My Life and Work*; Heinemann (1922).

THE ARTS

Architecture

Colin Amery

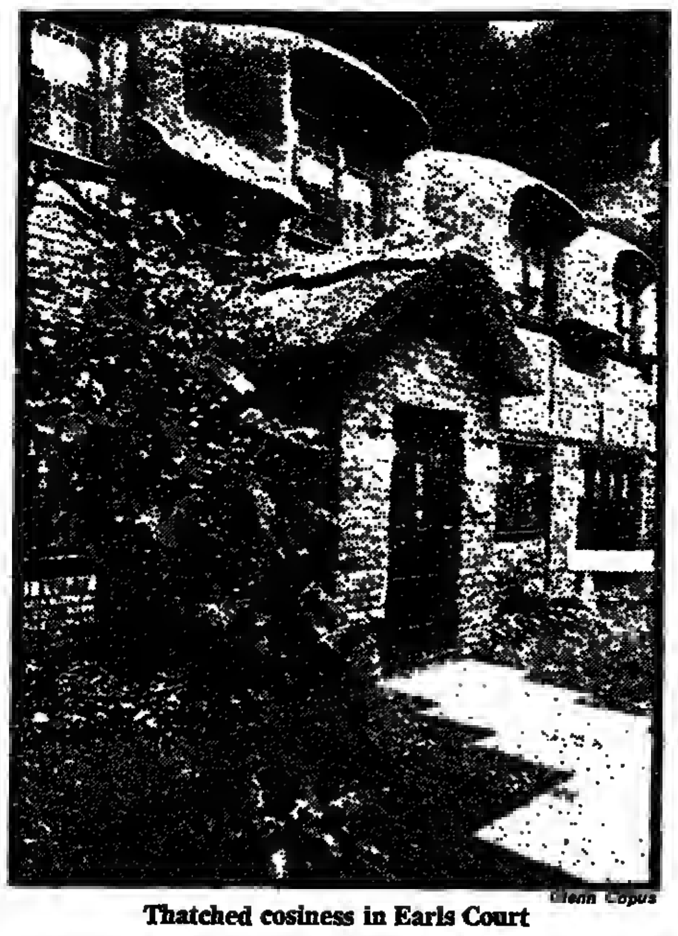
No place like home

Despite the fact that this year is the 150th anniversary of the Royal Institute of British Architects and we are all supposed to be celebrating the Festival of Architecture, there is one world that is amazingly untouched by the hands of the architectural profession. The world of the privately built speculative house produced for the mass market still seems to be immune from the faintest touch of trained design awareness. This is the traditional time of the year for the housebuilders to show their latest wares at the Ideal Home Exhibition and for Architecture Year the show seems to be a particularly depressing one.

Six types of new house have been built in Earls Court around an aviary—which gives the ahow its theme "where ideas take wing." What few ideas there have been in the bousing market in the last decade seem to have flopped pretty heavily to the ground in the 1984 exhibition. The general standard of new house design is unbelievably low. The general level of taste in furniture and interiors is nauseatingly bad. In fact a viait to Earls Court is rather like a walk down a memory lane of all the had designs that you thought had been hanished forever.

It is hard to imagine why architects have so little impact on an area which should be their sovereign territory. The home is where we live and breathe and develop our imagination. The ideal home should he the place where our first glimpses of proportion, form and colour inspire our visual senses. This should be the criterion for the designers to apply to the largest possihle market—the home buyers of the UK.

Architects have completely missed the hus. The spec. builder is as likely es not to employ a surveyor to draw up a few plans, aod that powerful myth, "the market," ia allowed to determine exactly what is built. Design is scarcely thought of at all. There is plenty of attention given to the illusion of modernism, to flashing digital clocks in kitchens that are scarcely large enough to stir a saucepan. Every upholstered living room has the sleek television and the home computer—the visual world comes through a tube or a cable.


Glenn Copus
Thatched cosiness in Earls Court

This year a visit to Earls Court can really only be recommended for bird fanciers. The first thing you see is a flock of giant bumming birds swinging crazily above the green and yellow nylon carpet tiles and potted azaleas. Some real Chilean flamingoes elegantly step about in a pool full of discarded coins.

At the heart of the show is the village of houses and the atar of the collection is undoubtedly a house which is called The Architectural Services House of the Year. Architectural Services is the name of a company that sells those books of hungalows and house plans for you to pass on to your builder. They use the services of both British and foreign architects and have a lot to answer for when it comes to the failure of modern design to make any impact on the housing market.

The old cry is that the demand is for "traditional" houses. The prohlem is that the versions of the great vernacular tradition that are produced are crude, built of synthetic materials and doctored to auch an extent that the average cottager of the late 19th century would not give them a second glance. This company's house of the year is a large timber framed thatched cottage faced with old English bricks.

There are four dormer windows, little casement windows each side of the door, a porch with a trim thatched roof, and a garage with linenfold panelling on the doors. For something in the region of £55,000 you too can have this version of the gingerbread house.

Let there be no doubt that this house is the star of the ahow. Long, long queues wait to enter its cosy portals—lines far longer than those for any stately home or museum of design. What has gone so badly wrong — bow can the mass market have declined to the level of a Disney-like view of architecture for the home?

Opposite the thatcher's homestead is the dream world of the business-like Sir Lawrie Barratt. Barratt Developments plc are Britain's biggest house huilders. They have evolved an efficient strategy that encourages homa ownership through mortgage arrangements and the building of particular types of houses for young single people and the retired and all the house huyers in between. Their Dorchester Suite on ahow at Earls Court is a development of small flats that is arranged in three storey blocks for the first time buyers. This firm offers a whole range of house types from the remarkably low price of £15,000 to £650,000. The range is completely unexceptional in terms of design; safe and predictable. In the ahow flats at the Ideal Home Exhibition the interior designer bas introduced a aharp distinction to the department store image of the room sets.

The world of design shown annually in London at this trade fair presents a sinister view of the world of the average Briton. Can it be true that we really need all the sun heds, vibro massagers, security systems, portahle baby chairs, noodle makers and spa baths that litter the exhibition this year? And what abont the influence of the designer on the telepbones yon can buy? My first prize for borror goes to the "frog telepbone." A bright green frog about the size of your hand, with boggle eyes, opens its huge month to reveal the dial and the monthpiece. Tbe thought of half the population pressing the green plastic to its lips in their thatched cottages. . . .

The architectural profession missed their chance this year to inform the vast public who want to live in new bouses that good design can be achieved. The RIBA should have sponsored a bouse of 1984 that could so easily show that there is room for art and commerce to unite. What happens to all those expensively trained architects and designers? They seem to hehaving no impact at all on the homes of the nation—not even on the telephones.

The Aspern Papers/Haymarket

Michael Coveney

Michael Redgrave adapted Henry James's novella in 1959 for a famous production starring himself, Flora Robson and Beatrix Lehmann. Now, at the Haymarket, we have Christopher Reeve as the inquisitive American scholar, H.J., Vanessa Redgrave as Miss Tina and Wendy Hiller as her aunt, Miss Juliana Bordereau.

The play is not exactly a travesty of Henry James, but it makes for an un-Jamesian sort of melodrama and, in its own way, a rather good one. Redgrave's sure theatrical touch is everywhere apparent, hut the director Frith Banbury has confused the rhythm of the evening hy dispensing with the three act structure. "Yon publishing scoundrel," emitted by the frail old aunt as H.J. fumbles with the secret chest, is not just a eurtain line. It should he an interval line.

Redgrave also makes some important shifts by suggesting that the papers would transform Jeffery Aspern's reputation instead of adding to a body of available knowledge; and hy inserting an evasive relationship between Miss Prest and H.J. that hints at paradoxes in the scholar's estimation of women in general.

This latter shift comes about, of course, because the play must solidify H.J. in a way the novel's first person narrative cunningly avoids. One can imagine tha raffish suavity of Redgrave in the role. Christopber Reeve is good-looking hut vacuous, his reading thinner than superficial. He never conveys the debilitating obsession of the ruthless scbolar who inveigles himself into this grimy, abandoned old Venetian house under a pseudonym.

The other problem with Mr Reeve is his wooden, untutored technique. The evening is littered with sharp, hissing intakes of breath as he snatches at his words, nothing produced hy breathing properly or using the diaphragm. His hands too, are a severe liability, fluttering into whimsical, camp little gestures or else mysteriously diving downwards in a claw formation as if miming how you press a bucket on the beach in order to make a sandcastle. Even ensconced in their pockets, these hands cannot be relied upon to stay still. They wriggle and twiddle away like eels on a fish stand.

You notice all this the more because of the artistry opposite him of Vanessa Redgrave. This is a house where youth and hope have been buried for years and Miss Redgrave first peers round the door, hunched and wispy-haired, in a black ahawl and woollen half-gloves. Immediately, she has gone to the very limits of the character, staked out the ground, the possibilities in the role. It is a masterful performance, undergoing vivid, extraordinary changes of mood all within the slow unfolding of the withered petals under the pale sunlight of H.J's presence.

The tragedy of Tina is that she takes H.J's romantic pitch for real. He is using her, just as, in a different way, Wendy Hiller's delightfully batty old aunt is using H.J's exhorbitant rent to line her niece's nest. Tina has a chance of coming alive, perhaps for the first time, and when Miss Redgrave sings some not very good lyrics to a not very secure tune, she is transfigured in a melismatic wash of tears, memory, childhoold and despair. You know, as indeed you always know with Miss Redgrave, that yon are in the presence of great acting.

The Venetian sala of decrepit furnishings and slatted windows giving on to the garden is designed by Carl Toms.

BBC Symphony/Festival Hall

Andrew Clements

Shostakovich's fourth symphony is generally accounted one of the failures in the canon, parcelled np with the Second and Third as examples of the composer's "expressionist" period. That the score was withdrawn before the scheduled première in 1936 and was only introduced, in a revised version, 25 years later has tended to obscure its stature even more; on one now can determine whether Shostakovich found it unacceptable on purely structural grounds, or whether political pressure in the wake of the denunciation of *Lady Macbeth of Mtensk* forced his hand.

How far the published score represents that original version is likewise a mystery. It was revised several times over a number of years, and Shostakovich still admitted dissatisfaction with the structure shortly before his death. Yet what we have is mnch more than a splendid failnre, as Gunther Herbig's account with the BBC Symphony Orchestra at the Festival Hall on Friday admirably demonstrated. With his unflamboyant, precisely measured approach Mr Herbig convincingly linked the symphony to its successor in several aspects: though Shostakovich labelled his Fifth "a Soviet artist's reply to just criticism," it is evident from the Fourth that the seeds of his new symphonism had already taken deep root.

Traces of the flamboyant, outrageous gestures that make up the second and third symphonies are still present however. The orchestra is a huge one; tha elements of traditional symphonic form are often wilfully obscured or distorted. Many of the climaxes (in the rambling first movement especially) are excessively brash; there is a self-indulgent tendency to parody eny and every theme. But to reject the whole edifice on that basis would be to lose the charmingly shaped and powerfully central Moderato, and the genuinely symphonic moments in the finale, when Mahler's influence makes itself felt in Shostakovich's music for the first time.

Mr Herbig and the orchestra did such a persuasive job in holding together this edifice and at the same time conveying something of its huge energy that ona quite forgave the drab Stravinsky they had offered before it. Erich Gruenberg had been the soloist in the violin concerto, careful and tidy, but consistently under-characterising the movements; Mr Herbig had taken the BBCSO through *Fireworks* without revealing any of its sparkle or vigour.

The School for Wives/Churchill, Bromley

Martin Hoyle

Terry Parsons's set gets the well-paced, straightforward performance off to a good start. A blown-up townscape engraving slides into paoels depicting an interior, while the flanking façades similarly swivel round to show their reverse, in the manner of the National's *Rivals* —a good example to follow.

The popular attraction of Roger Redfarn's prodoction for the Churchill is Terry Scott as the hoodwinked Arnolphe. In a grey wig, this peppery, neckless bull frog resembles a cross between Dr Johnson and Butcher Cumberland epoplectically sighting e stray Highlander. He ettacks the part with gusto, sometimes rivalling Richard Briers's legendary Hamlet in his apparent attempt to rattle through a classical role at top speed.

Despite occasional verbal fluffs and flounderings, this tricked old tyrant is as enjoyable in his restraint as in his relish. The veteran of TV comedy and several *Carry On* films, Mr Scott could even let himself go a little more. Nobody can look quite so aghast; and we could do with more of those complacent smirks freezing into incredulity.

The young lovers are equally vigorous. Peter Woodward's suitor is a full-blooded romantic (referred to as Or-arse by the more cosmopolitan members of the cast, though Mr Scott settled for an uncomplicated Horace *à l'anglaise*) and Julie Dawn Cole's sheltered ward, convent-reared as a custom-built bride for her elderly guardian, manages to be pretty, innocent and totally un-wet, though never clearing up the ambiguity of her apparent disingenuous flirting.

A couple of near-grotesque servants steer well clear of caricature, and Miles Malleson's adaptation comes over as surprisingly fresh. A hrisk, enjoyable evening with no mock-reverence towards a classic. West End managements please note.

Fischer and Bolet/Barbican Hall

Dominic Gill

I like the young Hungarian conductor Ivan Fischer's firm technique and easy, lucid style; but for some reason he doesn't unfailingly draw from the Loodon Symphony Orchestra their biggest string tone, keenest attack or livellest response. Their programme on Thursday, also broadcast on Radio 3, ended with Dvorak's eighth sympothy and opened with Schubert's Unfinished. In the Schubert especially, the orchestra gave courteous cooperation that lacked a fine cutting edge of enthusiasm; the performance was suave and well made enough, hut it never felt the ground.

The two works in wbich the pianist Jorge Bolet was the aoloist, however, took off with splendid effarvescence and glitter. Liszt's wild (and for the 1830s wildly avant-garde) *Totentonz* is musically more than a little preposterous — hut it is nothing if not colourful, and a great deal of fun. Bolet spun off its variations with marvellous elegance, and most sophisticated devilry; and worked the same magic to still greater effect on Liszt's less well known *Fantasia on Hungarian Folktunes* (S123) for piano and orchestra, which is actually a rather better piece (the traditional Hungarian tune of "Mohac's Field" is more interesting, and far more rewarding of elaboration, than the *Dies Arae*). Those who heard it will be as glad to know as those wbo did not that both works, played by the same forces, are soon to be issued on record.

Swing Session

The next South Bank Swing Session will be held on Saturday March 24 at the Purcell Room with pianist Eddie Thompson, Len Skeat on bass and Jim Hall drums. Special guests will be tromhonist Roy Williams and saxist / clarinettist Johnny Barnes. The concert begins at 7.30 pm.

Endymion Ensemble/St. John's

Max Loppert

This is Harrison Birtwistle'a 50th year. Starting the round of birthday tributes, the Endymion Ensemhle bas put together a series of chamber concerts in whicb Birtwistle pieces are set among those of other composers. Thursday's at St John's may not in truth have contributed a very large Birtwistle tribute—the works were the short *Monody for Corpus Christi* (1959) and the tiny Stravinsky *Tombeau* (1971)—hut as both leave an impression out of all proportion to length, the proper point was made after all.

The *Monody* is one of the most beautifnl, and also most startling, of Birtwistle's earlier scores—and saying that, about a composer whose genius has always been for creating beauty that atartles, is saying a good deal. The levels on wbich it operates are many, complex, and full of resonance; the carol and devotional poem texts, declaimed with fire in hrilliant, adamantine vocal writing, are those uppermost; the fusion of Christian and pre-Christian (and perhaps also post-Christian?) modes of thought and feeling is achieved with a clarity of vision whose inevitahility is matched only by its unpredictahility. It is a score that is ageing exceedingly well.

The Ensemble and its conductor John Whitfield had the wit to engage a soprano, Penelope Walmsley-Clark, with exactly the crystalline, exact, unfettered tones required —qualities well matcbed hy flute, horn, and violin. Miss Walmsley-Clark was even more accomplished in the rapturuously swooning and soaring line (complete with F *in altissimo*) of Henze'a Rimbaud cantata with harp and four cellos, *Being Beouteous* (1963), one of the composer'a most successful (because most personal) romantic effusions. Henze's *Quattro fantasie* and works by Lutoslawski and Varèse completed the hill; it was a good concert.

Varsovia Quartet/Wigmore Hall

David Murray

There was much pleasure to be had, from the Varsovia String Quartet on Friday. They are spirited Polish musicians, with a swingier sound than is cultivated by fashionahle cosmopolitan quartets, and less homogeneous. Their leader obviously leads (and their cellist failed to carry his weight in Szymanowski), though each player shone at various moments during the evening; in quick scherzo-passages their ensemble wasn't flawless. They addressed themselves to thair music — an interesting programme — with committed seriousness, and that hrought its own substantial rewards.

The special attraction was the Secood Quartet of their compatriot Szymanowski. Composed in 1927, it has the deliberate "national" tints and the spare silhouette of his later music, but also much of the enraptured other-wordly tone that makes the First Violin Concerto so haunting. Yet there are striking parallels with the tough rhythmic devices of Bartók's 3rd and 4th quartets, which were themselves products of 1927-28. It is easy to imagine that Szymanowski's quartet might suddenly be taken up hy many performing quartets; certainly the Varsovia players made a powerful case for it, even without the enormous weight of tone that Szymanowski sometimes requests.

In Mozart's Quartet in G, K387, they were aelrt and sharp, even prickly. It gripped ooe's attention, and satisfied it. After the interval came Chaikovsky's big F major Quartet op: 22. All of it was delivered with idiomatic flair, and tha Andante with searching tenderness; in the most hectic pages of the outer movements, their intonation became a little wild—the effect of the final coda was slightly foxed hy that. They are nonetheless an ensemhle of genuine character, and it is good news that they have just recorded both of Szymanowski's quartets for the Belgian "Pavane" label.

Obituary

Imogen Holst

Imogen Holst, who died on Friday at the age of 76, was the daughter of Gustav Holst and the leading authority on his music. She wrote a biography and a musical study, both works, responsihle for diseminating, a new understanding of an interest in Holst; she also edited mnch of his music. Imogen Holst was a close collahorator of Benjamin Britten and (until 1977) one of the leading figures of the Aldehurgh Festival: a noted choral condnctor, she was responsible for many memorable concerts there, of ber other important musical devotion—English Choral Music from the Mediaeval era to the modern day. Her studies of Byrd, Bach, Holst, and Britten for children remain models of their kind.

M.L.

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First Nat. Secs. Ltd.	10½%		
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‖ Demand deposits 5½%.
¶ Mortgage base rate.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

March 9–15

LONDON

Royal Choral Society and *English Chamber Orchestra*, conducted by Meredith Davies, with Eiddwen Harrhy, soprano, Paul Esswood, counter-tenor, Robert Tear and Kenneth Bowen, tenors, Ian Caddy, baritone and Stephen Roberts, bass. Bach, St. John Passion. Royal Festival Hall (Mon). (928 3191).

London Philharmonic Orchestra, conducted by Jesus Lopez-Cobos, with Angel Romero, guitar. Ravel, Villa-Lobos, Rodrigo and Ravel. Royal Festival Hall (Tue).

Fou Ts'ong, piano: 50th birthday concert. Handel, Schubert and Chopin. Queen Elizabeth Hall (Tue). (928 3191).

London Symphony Orchestra, conducted by Yuri Simonov. Tchaikovsky. Barbican Hall (Tue). (638 8891).

WASHINGTON

National Symphony (Concert Hall): Yoel Levi conducting, Annie Fischer, piano, Choral Society, directed by Norman Scribner. Beethoven, Ravel (Tue, Wed mat, Thur). Kennedy Center (254 3776)

NEW YORK

New York Philharmonic (Avery Fisher Hall): Rafael Kubelik conducting an All-Smetana programme (Tue, Thur). Lincoln Center (874 2424).

Czech Philharmonic (Carnegie Hall): Vaclav Neumann conducting, Nathaniel Rosen, cello. All-Dvorak programme (Mon). All-Smetana programme (Tue). Jiri Belohlavek conducting, Jorge Bolet, piano. Janacek, Schumann, Suk, Dvorak (Wed). (247 7459).

Brooklyn Philharmonic (Brooklyn Academy of Music): Lukas Foss conducting. Wuorinen, Ellington, Coleman (Thur). (636 4120).

CHICAGO

Chicago Symphony (Orchestra Hall): Giuseppe Sinopoli conducting, Lucia Popp soprano, Walton Gronroos, baritone. Mahler, Brahms (Thur). (435 8122).

BRUSSELS

Anthony Bailes, Lute; Reusner Losy, Le Sage de Richée, Musée Instrumentale (Wed).

BRT Philharmonic Orchestra, conducted by Witold Rowicki, with Krystian Zimerman, piano. Shostakovich, Brahms. Palais des Beaux Arts (Thur).

VIENNA

Vienna Philharmonic: conductor Claudio Abbado, soloist Jessye Norman, Mahler, Beethoven, Janacek. Musikverein, Grosser Saal (Mon). (65 51 90)

Vienna Symphony Orchestra: conductor Ferdinand Leitner. Mozart, Eder, R. Strauss. Musikverein Grosser Saal (Wed).

PARIS

Yvonne Loriod-Messiaen, piano, Roger Muraro, piano: Mozart, Chopin, Liszt, Messiaën. (Mon, 8.30 pm). TMP-Châtelet (233 4444).

Orchestre de Paris. Isaac Stern, violin, Andrew Wolf, piano (Mon). Salle Pleyel (56 106 30). Mozart, Enesco, Franck sonatas.

Mirella Freni, Nicolas Chaurov and orchestra, conducted by Romano Gandolfi: Operatic melodies (Mon). Théâtre des Champs Elysees (723 4777).

Chamber Music – Maîtrise de Radio France, conducted by Henri Farg. Debussy, Rossini, Schubert, Schumann (Mon). Salle Gaveau (56 320 30).

Ensemble Orchestral de Paris, conducted by Jean Fournet, Rafael Orozco, piano, Christian Jean, tenor: Faure, Mozart (Tue). Gaveau (56 320 30).

ZURICH

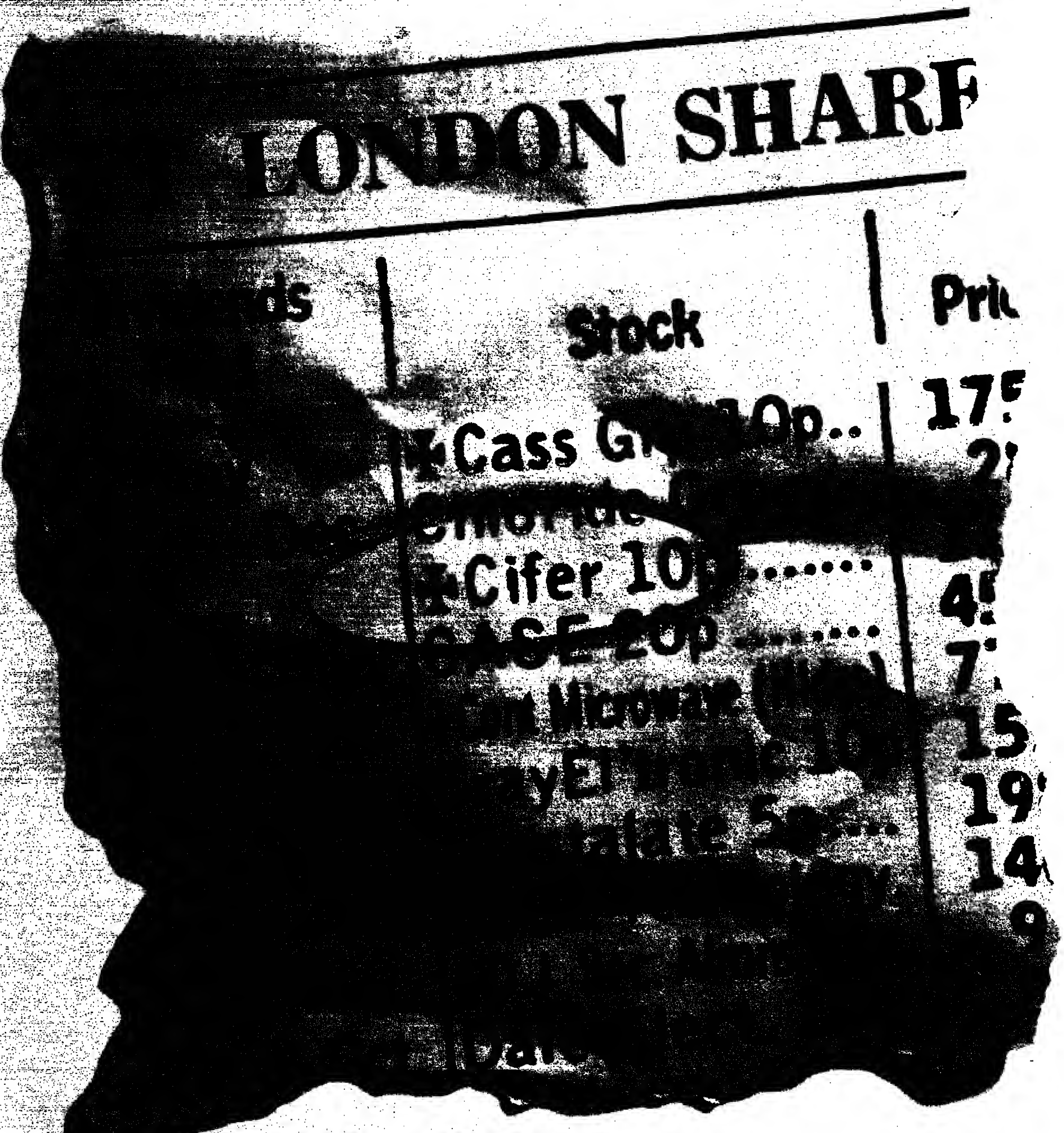
Tonhalle: Tonhalle Orchestra, conducted by James Loughran, with Rocco Filippini, cello. Mozart, Saint Saens and Strauss (Wed and Thur).

AUSTRALIA

Sydney Opera House: ABC Orchestra, conducted by Sir Charles Mackerras. Programme includes Tippett's piano concerto with Paul Crossley as soloist. (Wed and Thur).

ITALY

Rome: Teatro Olympico (Academia Filarmonica Romana). Piazza Gentile da Fabbriano: Pianist Rudolf Buchbinder playing sonatas by Beethoven and Schubert (Wed). (393 304).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Monday March 12 1984

Key issues in EEC reform

MRS THATCHER has said that her object, in the current European Community negotiations, is to rebuild the foundations, not paper over the cracks. If these were the alternatives, her choice would be admirable; yet the metaphor is misleading. The task facing the foreign ministers today, and the heads of government next week, is not to turn the European Community into a deserted building site (to paraphrase President Mitterrand) but to adjust its steering mechanisms so that it moves on to a different course in future.

The most important and the most difficult issue at the heart of the negotiations is the reform of the Common Agricultural Policy. The key question is whether the farm ministers are willing, or can be obliged, to take decisions which are likely to curb surplus production and reduce the real level of price support, both immediately and over the longer term.

On the evidence of last week's negotiations they are not yet willing to do so. They talk of reform but every emerging compromise seems, as in the past, to point to a weakening of reform, a raising of prices, or an increase in budgetary costs.

Unless they take decisive action this year, it bodes ill for the prospect that they will show greater courage in any succeeding year. The questions they must answer are: When will reform start to bite and how do we know the effort will continue?

Parliament

The pressure for reform has come exclusively from the imminent exhaustion of the Community budget. It is essential that this type of pressure be maintained, both by much stricter control of the budget as a whole, and by a steady reduction in the share going on agriculture.

Achieving this objective faces serious difficulties, practical and political. The first practical problem is that the European Parliament has power, which it usually exercises, to increase the budget as approved by the Council. Most governments are reluctant to talk about reducing this power in the run-up to the Parliament's elections in June. But it will be hard to put much faith in mere forms of words which may not prove binding.

Second, the farm budget is already overspent. More money will be needed to get rid of the beef and butter mountains, and still more (on Mediterranean products) to ease the entry of Spain and Portugal. Controlling expenditure is bound to be a long-term process.

The political problem is that of saleability. This is a national rather than a Community problem. Farmers will resist any reform of the policies or of expenditure, because it is their way of life which must adapt; but postponement will only make matters worse. National subsidies have been used in the past, as a transitional measure, to ease the pain of adaptation at crucial moments of change. They may be required, on a broader scale than before, if there is to be any prospect of policy or budgetary reform getting approval in 10 national parliaments.

Trade-off

On the British budgetary complaint there is room for an obvious trade-off. In return for a durable system of compensation (in place of the traditional annual haggle), the UK should be prepared to settle for a smaller proportional compensation than in the past; the settlement of the argument should be worth something.

On the other hand, the degree of compromise must depend on the outcome on the farm policy and budgetary issues. If the Ten move significantly in the direction of farm policy reform and of budgetary control, the UK could well afford to make larger concessions over its excess contributions, since these reforms should over time reduce the excess. But if there is no progress at the policy and budgetary levels, the UK could face the prospect of rising excess contributions, and must insist on a better proportional compensation deal, together with an absolute ceiling.

A similar trade-off must come into play over any increase in the Community's financial resources. The Commission has proposed that the so-called VAT ceiling should go up from 1 per cent to 2 per cent; several member states want a much smaller increase.

If the Ten take vigorous steps to curb and then reverse surplus farm production, or if they adopt cast-iron procedures to control the growth of budgetary spending and to reduce the share going on agriculture, the Commission's proposals make sense; there is no intrinsic merit in setting up a re-run of the present crisis in a few years' time. But if the Ten fail to grasp the farm policy and budgetary nettles, it may be preferable to settle for a minimal increase this time, even if it means facing another painful argument on the same subject in 1986 or 1987.

Decisions on the Community's change of course must be taken soon because it is running out of money. If they are not taken next week, they will have to be taken at the following summit in June; there is nothing to be gained from delay. On the other hand, a change of course will impose strains, both immediate and prolonged, on many vested interests, particularly in the farming sector; an Agreement will be politically feasible only if due allowance is made for the necessary transitional arrangements, and if all member states, including the UK, are prepared to compromise.

Free choice for shopkeepers

THE Home Office's committee of inquiry into shop opening hours is proving a thankless task. With several thousand submissions to plough through, the three-man inquiry team is not short of advice. But the passionate feelings on both sides about allowing shoppers more freedom to shop, especially on a Sunday, will almost certainly leave nobody happy when the committee finally reports in the autumn.

Yet the committee should not shy away from what could prove to be the most far-reaching decision affecting the retail trades in Britain since the abolition of Resale Price Maintenance in 1964. The committee's deliberations will influence not only jobs in the labour-intensive retail trades, but also retail prices and the structure of retailing.

There is little doubt that the committee should propose some changes to the archaic 1950 Shop Acts which was drafted at a time when work and social patterns were very different in immediate post-war Britain. Any law that has so many glaring anomalies and is openly flouted every Sunday by thousands of shopkeepers needs to be reviewed.

Wider choice

Yet in spite of 16 successive attempts to amend the legislation it has been kept on the statute books by a curious alliance of trade unions, retailers, and religious groups. Now even that alliance is bending—but not bowing—to the inevitable pressure for reform.

The choice is between tidying up the most obvious anomalies about Sunday trading and allowing unfettered trading all day and every day, including Sundays. Advocates of the latter course believe that it will lead to more consumer spending since there is a wider choice of when to shop. It could also lead to lower prices brought about by a reduction in unit costs as extra demand is spread over existing fixed costs. And more jobs could be created by the extra shopping hours.

Most retailers appear sceptical that extra trade would be generated by longer opening hours; spending, they believe, would simply shift to a different time scale. The evidence on costs is equivocal so far: retailers who already open on a Sunday believe costs are more than covered by extra volume, while trade groups such as the Retail Consortium believe costs must rise.

Impact

With these issues left open, the committee will no doubt study the impact of Sunday trading elsewhere. Both in Scotland and Sweden, the liberalisation of shop opening laws took place too long ago for the impact of change in the modern retail world to be easily identified.

The state of Massachusetts amended its shop hours exactly a year ago to allow for Sunday trading, albeit only after noon. Broadly, the Massachusetts experience in the last 12 months has been an increase in the total value of retail trade, an improvement in convenience for customers, and a generation of increased economic activity.

Shopkeepers should be allowed to choose their own hours of opening. There is some concern that a free-for-all would further strengthen the big multiples at the expense of small shopkeepers — but that is a wider issue and should not be used as an excuse for Sunday restrictions.

NEXT WEEK'S EEC SUMMIT

This time, it *is* crucial

By John Wyles, Common Market Correspondent, in Brussels

TODAY, THE European Community enters its final countdown to next Monday's heads of government summit in Brussels. European Councils are often billed as "crucial", but this time the word may even understate the importance of the occasion.

December in Athens was the last time the Ten government leaders tried to tackle the vital issues of agricultural and budgetary reform. Their failure was unequivocal. Another failure would not destroy the Community, but it would put it in serious peril.

Conscious of the high stakes, agriculture ministers yesterday held an unprecedented Sunday sitting in an attempt to find the elusive compromises on Common Agricultural Policy reform, without which the summit cannot prosper. They will continue today, while foreign ministers will meet in separate session well into the evening, trying to narrow still potent divisions over how to control future EEC spending and how to settle Britain's demands for long-term cuts in its payments to the EEC budget.

Agreement is needed on the two budgetary issues as well as on an agricultural reform package before the heads of government can decide the key financial issue—how far to raise the 1 per cent VAT limit on member states' payments to the EEC budget.

The EEC's budget revenues—its "own resources"—total this year Ecus 25.4bn of which just under 45 per cent is customs duties and agricultural levies. The remainder is the full 1 per cent that the EEC is allowed to levy on retail sales of a common basket of goods and services in member states. All but a tiny fraction of the revenues will be spent this year. (At current rates Ecus 25.4bn is about £43bn.)

The task facing all Ministers this week is twofold: to agree among themselves on as much subsidiary detail as possible, and to define the major conflicts of political interest and principle which can only be settled at the summit. The extent to which they succeed will greatly influence the summit's prospects. The Athens debacle vividly demonstrated that heads of government founder when launched into a sea of detail.

For the past two and a half months, the responsibility has fallen to France, as President of the EEC's Council of Ministers, to lead the renewed search for agreements aimed at relaunching the Community. Paris has put most of the emphasis on one-to-one discussions with other member governments. President Mitterrand has seen every other leader once, and Chancellor Kohl and Mrs Thatcher twice. The results, or lack of them, should begin to be apparent today as Ministers grapple with the three main issues set out below.

The budget: A struggle to impose tighter spending controls

BRITAIN AND West Germany have made the running on the issue of imposing tighter controls on Community spending. There has been strong support from the Netherlands and useful, if somewhat equivocal, backing from France. Its immediate importance derives from the unavoidable need to raise the so-called 1 per cent VAT ceiling on the EEC's budget revenues.

This will make much more money available for the Community to spend—the Commission's proposal for a 2 per cent ceiling would currently be worth an extra £8.3bn—at a time when all governments have become rather more rigorous in their approach to public spending because of their national budget deficits. EEC spending this year will be 66 per cent higher than in 1980 and agricultural spending 46 per cent higher. However, the case for the defence points out that since 1980 the EEC budget has remained constant at slightly less than 1 per cent of the Community's GDP while national governments' expenditure has climbed from 47.1 to 52 per cent of GDP during the same period.

Bonn worries about the impact on its own budget of the long-term growth of Community spending because it is, and will remain, the principal contributor to the budget. London is determined that extra revenue should not be swallowed up by omnivorous agriculture. France, the Benelux countries and Denmark want to curb the European Parliament's fondness for stretching its powers to the limit and beyond so as to pile extra money into social, regional and other spending. A widespread preoccupation is that after enlargement, Spain and Portugal will join Greece and Italy in trying to plunder the budget at the expense of the "rich" northern member states.

A broad consensus on objectives, however, has been slow to yield the firm prospect of agreement on means.

Predictably, the UK has been the most hawkish in urging changes in practices and procedures which both impose a firm consent around overall annual spending and a definite cash limit on allocation to farming. Above all, it has been ready to contemplate an amendment to the Treaty of Rome which would curb the Parliament's powers and put the EEC budget solidly under the control of governments.

France sailed close to the British position just before the Athens summit but then drifted away because it would have meant embracing a Treaty amendment. Most governments will not face a confrontation with the Parliament over its budget powers just three months before the Euro-elections.

Therefore, negotiation has been focusing on a revised European Commission proposal which says that the Council and the Parliament should aim for a consensus on the structure and volume of the annual budget before it is drafted in detail by the Commission.

This is regarded as too woolly by the Germans, the British, the French and the Dutch since it leaves the Parliament free to disagree and to use its limited, but increasingly effective, powers to impose its own views.

The Commission's plan for controlling the annual growth of farm spending is seen as more promising by the financial Micawbers. It is based on everyone committing themselves to a guideline aiming at keeping the rise in the farm budget below the growth of budget revenues (through increased trade, economic growth and inflation).

Finance ministers would be required to share the responsibility with farm ministers for decisions leading to a breach of the guideline and the Council and the Commission have to try to bring spending back on to target over the next two years.

Several governments like the idea of limiting their farm Ministers' independence but only the UK is pressing for greater precision on the guideline so that the rise in farm spending can be limited to "a given fraction" of budget revenues.

Nevertheless, agreement on budgetary control may prove easier than on other issues. Its importance is threefold: it satisfies one British condition for raising the 1 per cent ceiling; the Germans would be persuaded to drop their refusal to contribute in full to the costs of any British deal, thus making such a deal marginally easier; and some budgetary pressure would be imposed for continuing CAP cost savings.

Britain's contributions: President Mitterrand's secret diplomacy

REDUCING Britain's net payments to the EEC budget is believed to have been at the heart of President Mitterrand's secret diplomacy. No progress has been publicly charted since the French President did much to torpedo the Athens summit by proposing another deal limiting Britain's net contributions for two or three years.

As a result, rumours have abounded that France is deliberately engineering Mrs Thatcher's isolation next week; that M Mitterrand is organising the majority around an offer of a fixed Ecus 1bn a year cut in the UK's payments (which were just over Ecus 1.9bn last year before payment of Ecus 750m rebate); that, by contrast, a solution is being slowly "cooked" on the basis of an understanding between the two leaders.

The only serious multilateral discussion which has taken place since Athens was in mid-February at an informal meeting of Foreign Ministers. Then, Sir Geoffrey Howe made claims of progress which rather echoed his statements before the Athens summit. A consensus was emerging, he said, that any solution must be durable, based on an objective measurement of the gap between Britain's payments and receipts and applied by reducing Britain's payments to Brussels rather than by boosting its receipts from the EEC.

Formally, London is still arguing for an arrangement which limits its net payments to between Ecus 400m and 500m through a "safety net" relating budget contributions to relative national prosperity. In reality, there are some indications that Sir Geoffrey signalled a readiness at the foreign Ministers' meeting to negotiate on the basis of a scheme requiring a substantial concession from the UK.

This would remove the Customs duties and farming levies Britain passes to Brussels from the calculation of its net contribution. In British eyes this would not give a genuine measurement of the difference between what the UK pays to and receives from the budget. Other governments prefer it, partly because it reduces the size of the gap to be bridged by any solution and partly because they believe that duties and levies are collected on behalf of the Community and are not in any sense a cost to the British taxpayer.

Without these, the gap would be expressed as the difference between what Britain pays in its share of VAT payments and what it receives from the budget. In 1983 this amounted to around Ecus 1.68bn, compared with a net payment as measured by the British, of around Ecus 1.92bn.

According to Commission experts, this approach does not understate by much more than Ecus 300m the UK's net payments in any of the last four years.

Some optimists believe that if Mrs Thatcher would embrace this system, she could negotiate a reduction of about two thirds, which would have been worth about Ecus 1.26bn in 1983. A two-thirds reduction has become enshrined as a minimum British objective under the *ad hoc* agreements which have cut Britain's net payments (including duties and levies) from Ecus 6.887bn to Ecus 2.39bn since 1980.

Agriculture: the divisions run deep

THE CASE for reform of the CAP has been endlessly rehearsed and graphically illustrated by a growing number of surplus products sitting on the foothills of what is now (over 800,000 tonnes) the largest butter mountain in the EEC's history. The cost of the CAP rose by 27 per cent last year without any extraneous factors such as a slump in world prices or a weak dollar to take the blame.

The heads of government having choked on the attempt at reform, the agriculture ministers have had the task since Athens of trying to shape agreements on the Commission's proposals of last July to curb surplus output and economise on aid to farmers and on its plans for a slender 0.8 per cent rise in farm prices.

The price package looks likely to be agreed. Progress on reform has been more difficult and despite having sacrificed their Sabbath yesterday, the ministers may well be leaving a lot for the summit to do. This would undoubtedly please M Michel Rocard, France's Farm Minister who has been President of the Council, and is a long-time rival of the French President.

If sacrifices have to be imposed on French farmers, say many EEC officials, he wants them taken at the summit at the expense of M Mitterrand's standing and not his own political future.

With milk production heading for 105m tonnes this year—more than 20 per cent above actual requirements — ministers still cannot agree on the quota of 97.2m tonnes proposed by the Commission. France is looking for a two-year transition down to this level from an initial quota of 99.5m tonnes. Ireland still wants as full an exemption as possible on the grounds that its entire economy would be severely damaged by the proposal for a super-levy on production above quota. Luxembourg, Greece and Italy also want exemptions.

Britain has been forlornly arguing the case for price cuts on milk and other products. Its position has not been taken very seriously. British interest in economies, after all, wanes when discussion turns to the elimination of special payments, such as the butter consumption subsidy, which are of particular benefit to the UK. Divisions are more clear-cut over how to treat Mediterranean products such as olive oil, tobacco and wine which are becoming increasingly costly. Northern states say the South must share in any sacrifices. The "poor" South, with some support from France, is very reluctant.

The net result of all this is that the agriculture Ministers will not agree a package capable of keeping farm spending this year within the Ecus 16.5bn allocated to it in the budget. M Rocard has made little effort to require them to do so.

He will probably send the summit a request for extra money and several questions for decision, including the milk quota and the future of those technically complex but politically sensitive border taxes and subsidies known as Monetary Compensatory Amounts.

With farm spending heading for Ecus 18bn-18.5bn, the Ministers will have demonstrated once again that they cannot deliver broadly-based reform of the CAP, even when their governments are nominally committed to it.

While the milk quota may be a useful first step in curbing the most costly sector, the solution for eliminating MCAs which has been cooked up between France and West Germany could well store up problems for the future.

By seeking to align the Ecu to the Deutsche Mark, it will generate farm price rises in weak currency countries every time the D-Mark is revalued and is therefore, potentially inflationary. It also threatens to undermine any commitment to a restrictive price policy and is capable of further stimulating over-production. The cost could be well over Ecus 400m next year compared to Ecus 169m which the Commission's proposal would have saved.

Men and Matters

Kvamme loses taste for Apple

Apple has proved too bland a diet for Floyd Kvamme who is leaving the U.S. personal computer company after serving just 14 months as head of marketing, and a vice-president of the company.

He is moving to the excitement of the venture capital world where he intends to become a "coach" — that is a leader and problem solver for fledgling companies. "I deal well with diversity," he claims.

Not that Apple hasn't been able to throw a few tricky problems in Kvamme's direction. In spite of being a leader in the fast-moving computer game Apple did not have a marketing department when Kvamme joined the company.

Putting together a team of people who could guide Apple into the world of stiff competition and shifting targets has been his main contribution to the company, he says.

In particular he has helped Apple face up to IBM, its giant adversary nowadays in the personal computer market. "When I came to Apple I don't think people realised what they were up against."

Kvamme recalls that Apple's managers were "overwhelmed" when they recognised that they were going to have to compete head-on with IBM.

"I told them not to lose hope," says the former president of National Advanced Systems, a big maker of IBM compatible computers. "I taught them that there are ways of effectively competing with IBM. I've always reminded them that when you are competing with IBM you are playing in Division One — and that's where everyone should want to be playing."

"Of course, I'd play a bank manager in goal, two good accountants as backs . . ."

King's frame-up

Roger King, aged 38, who worked for a multiple firm of opticians until recently, is setting out to break his old trade's monopoly on the sale of spectacle frames, even before the expected deregulation of the optical business later this year.

With personal experience of the hefty mark-ups British opticians put on frames he is undercutting their prices by handling his own importing and wholesaling through a Guernsey-registered company called, appropriately, Specsavers International.

He has a programme to open smart spectacle frame showrooms in 15 cities in the coming year. His first was opened in Bristol five weeks ago, and the second in Guernsey last week.

As he cannot sell direct to the public under British law at present his policy is to have a sympathetic optician adjacent to his showroom—preferably upstairs—from whom the customer can buy the frames.

One of his reasons for mounting the operation from Guernsey, apart from tax advantages, is that the legal position there is already less restrictive than on the mainland. For instance there is no ban on the island on opticians advertising.

King says he is preparing for the coming free market for optical appliances in Britain. Nevertheless, he is not keen on the idea of spectacles being sold over chain store counters—as some opticians predict will happen.

Meanwhile, he strongly refutes suggestions that he is simply offering cheap frames from Hong Kong. The 500 fashion styles he is currently featuring are from top British, Continental and Israeli makers, and are being sold at between £10 and £25 a pair cheaper than ruling prices in Britain.

Identity crisis

The post has brought a request for the FT — and presumably its readers as well—to lend a helping hand to a company wishing to shed its name for something better.

Novamark International of New Bond Street, London, has been asked to find a new name for a major British public company with worldwide sales of more than £150m a year.

Novamark will not say which company feels such an urgent need to change. But a few clues may be gleaned from a list of suggestions for new names which Novamark would like us to rate on a scale ranging from "good" through "average" to "poor."

The proposals, which all carry the suffix "International" include "Ibis, Lysander, Helm, Eagle, Quest, Tallis, Corinth, Lion, Ibex, Talisman, Leander, and Lynx."

Note the virile allusions with their Classical or zoological derivations.

The mystery company, according to Novamark, accepts that its current corporate title "fails adequately to suggest the wide range of consumer and industrial products the company makes and sells."

Much thought at Bracken House leads us to wonder whether the company seeking a new name could be LRC International—the present style of the London Rubber Company, which makes contraceptives and a wide range of other goods. LRC is in the mood for change, having announced at the weekend a regrouping of its divisional structure.

An LRC official says she has no knowledge of any plans to change the company's name. If not LRC who wants to be Ibis, Lysander, or Lynx . . . ?

Trade off

The mystery of why Britain's exports to Iceland suddenly doubled in 1982 has now been solved. The £102m recorded in the overseas trade statistics wrongly included £39m worth of silver goods which should have been entered among the exports to Israel.

Such errors, a Customs and Excise man tells me, occur when information is being keyed into the computer. "But don't think it's usual," he adds. "The only other example I can remember involved confusing Argentina with Austria . . . or was it Australia?"

Striking the wrong keys on this occasion put Britain's trade balance with the Icelanders £30m in the black, when it was actually £10m in the red.

On the other hand, the sudden "improvement" caused by the correction in British exports to Israel should blunt claims that fear of the Arab boycott was keeping the level artificially low.

Shady hobby

Did you hear about the Andorran who was worried about his teenage son? He's bought a camera and I think he must be making pornographic films—he always develops them in the dark."

Observer

BRITISH SECONDARY EDUCATION

A new 'industrial revolution'

By Alan Pike

AN EXPERIMENT which could precipitate the greatest change in British secondary education since comprehensive reorganisation is gathering pace in schools throughout the country.

The scheme "is releasing a pent-up force for educational change which has for too long been held back by the examination boards, the public schools—where I have taught—and the universities," says Mr Christopher Lea, who is director of the project in Birmingham.

Clumsily named the Technical and Vocational Education Initiative, or TVEI, the scheme is run under the auspices of the Manpower Services Commission. It is bringing education and industry together in ways which promise to have a radical impact on the secondary curriculum.

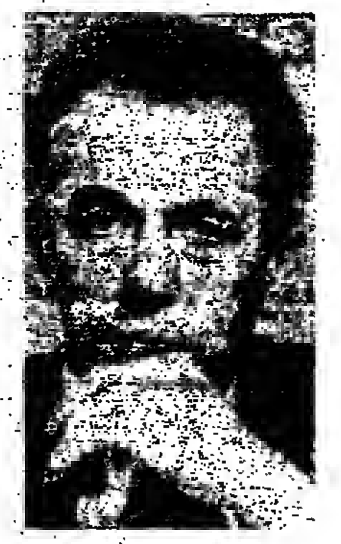
In Birmingham, for example, the education department is recruiting a team of industrial tutors to counsel young people on the links between school and work. And in Stevenage, Hertfordshire, 15-year-olds at the town's 10 comprehensive schools work through a curriculum developed jointly by their teachers and managers from local industry.

At present, TVEI is confined to pilot projects in 14 areas. But in September the experiment will take an important stride towards becoming the norm when up to 46 more local authorities in England and Wales, and five in Scotland, launch TVEI schemes.

"The more that teachers look at the traditional curriculum, the less defensible they see it to be," says Dr Ron Wallace, Hertfordshire's TVEI director. "TVEI gives an opportunity for people both inside and outside the school to discuss and implement change."

TVEI is a working model of the sort of change which Sir Keith Joseph, Education Secretary, hopes to inject into the secondary curriculum. Blending the theoretical and the practical, the initiative aims to improve the technical instruction of 14 to 18-year-olds in a way which will both equip them with valuable employment skills and prepare them for adult life.

The scheme, covering the entire ability range, includes planned work experience, and is supervised at local and national levels by boards consisting of representatives of education, industry and trade unions.



Sir Keith Joseph, the Education Secretary, who last month called for a school curriculum more "relevant to the real world and to the pupils' experience of it"

But TVEI has sparked controversy. There are fears that it is another government attack on local authority autonomy and possibly an undercover attempt to smuggle selection back into secondary schools. This has led to some Labour-controlled councils, including Manchester, Sheffield and the Inner London Education Authority, staying outside the scheme.

TVEI differs from earlier initiatives in several respects:

- It is a locally-delivered national scheme operating around common national criteria.
- It is opening discussions on the content of the secondary curriculum, bringing together schools, colleges and industry.
- It offers, from the Manpower Services Commission coffers, precious additional resources at a time of acute financial stringency in education. This has enabled schools involved in TVEI to buy sophisticated equipment and hire specialist teachers. It has also enabled many local authorities to swallow any political doubts.

Hertfordshire will receive £3.5m over five years to run its Stevenage project, which will involve between 25 and 30 young people a year in each of the town's 10 schools.

They select from a range of options covering computer studies, manufacturing technology, modular technology, electrical and electronic instrumentation, information technology, office skills and industrial studies. In some cases these courses are working towards existing examinations, while in others the public examination boards are preparing new ones.

Each subject has its own curriculum group on which representatives of education and industry meet to determine the course content.

Two leading employers in Stevenage—British Aerospace and Dixons Photographic—have been involved in developing the curriculum for electrical and electronic instrumentation.

Dr Wallace agrees that the industrial representatives were highly critical of some of the first curriculum proposals. "That was part of the purpose of involving them. I think they were surprised to find many of their arguments accepted by the teachers."

The chairman of the electrical and electronic instrumentation curriculum group is Mr Ken Walsh, headmaster of Heathcote, one of the town's TVEI schools. He welcomes representatives of industry helping to decide what happens in the classroom.

"It is high time that people outside schools were involved in talking about the needs of the curriculum. Our TVEI course is being taught to a positively agreed plan. It is not just something handed down by an examination board."

One of the most controversial aspects of TVEI is a requirement that the skills which young people receive should relate to the likely needs of the job market.

The charge that TVEI is introducing narrow job training to Britain's schools disguised as high-technology education is rejected with passion by those running the pilot schemes.

"What we are actually doing is developing areas like personal skills, group activity, communication skills and a problem solving approach which will benefit young people throughout their working and wider lives," says Mr Walsh.

His school has a computer centre which is available to parents and other members of the public outside school hours and will soon, as a result of TVEI, have a fully-equipped electronic office.

In Birmingham, the TVEI scheme includes such innovations as school shops and restaurants run by pupils, and the teaching of languages as a service-industry skill is being considered for next year.

"We are treating work as part of learning, not training our young people for particular jobs," says Mr Lea. "Our scheme totally rejects the distinction between academic activity—which has always enjoyed a high status—and technical and vocational activity."

TVEI, launched only last September, has already had one success which could not be taken for granted. Parents, traditionally reluctant to allow their children to be used in educational experiments, seem to have had no trouble accepting the scheme.

In Britain, the debate about the proper relationship between schools and industry is older than compulsory state education itself. Sir Keith Joseph revived that debate last month by calling for a school curriculum more "relevant to the real world and to the pupils' experience of it." He now intends to begin a consultation exercise to find out exactly what employers want from education.

TVEI will be held out to him as a central part of the answer. The Confederation of British Industry has already said that development of the scheme is one of its priorities for improving relationships between industry and schools.

When Sir Keith begins analysing the results of his consultation exercise, he will discover that TVEI has already given a lot of people in education and industry the opportunity to speak the same language.

The U.S. Economy

Wall Street gets the inflation jitters

By Samuel Brittan

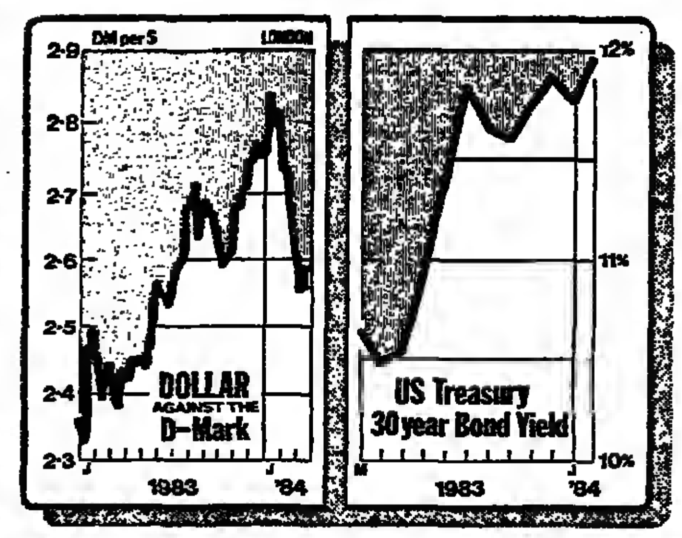
LAST WEEK I took the advice of well-wishers who urged me to spend more time with hard-nosed financial types in New York, instead of officials and policy academics in Washington. Yet, in Wall Street itself all eyes are on Washington—on what Congress will do about the budget, on what Federal Reserve chairman Paul Volcker will say next, and, increasingly, whether Gary Hart will prove to be the great white hope who will trim military spending while avoiding the anti-market bias of Walter Mondale and his union backers.

Indeed, it was suggested that I should write an article comparing Senator Hart to David Owen, a proposal which takes too many hurdles at one jump. At any rate, it will be interesting to see what happens in the financial markets if Senator Hart has a triumph in tomorrow's batch of primaries, known as "Big Tuesday."

Nevertheless, the predominant Wall Street mood is concerned, even jittery. The outward signs are the falls in bond prices and the dollar, the rise in gold and sensitive commodity prices, which are watched closely, not only by gold bugs but by Mr Volcker himself. Behind it all is an adverse change in inflationary expectations. There is complete agreement that consumer price inflation will rise from its present year-on-year increase of 4 per cent and the arguments are about how much. Optimists expect it to rise to 5 per cent this year. Moderate pessimists expect it to reach 6 per cent and climb to perhaps 8 per cent in 1985, and then be checked, if at all, by recession.

On short-term interest rates, the spread of moderate views for 1984 ranges from a fall of ½ per cent to a rise of 2 per cent. But, unfortunately the latter limit expresses more in banking consensus on what the international debt situation will stand than the requirements of monetary policy. There is some wishful thinking in the financial community about the Fed having returned entirely to an interest rate policy. Talking to Fed policy makers, the mood after the velocity disturbances of the past couple of years is "steady as she goes." Help has been given to the money market over the transition to contemporaneous reserve accounting. But from now on it is up to the market to take the Federal funds rate where it will. Or so it is said.

Of course, the Fed has a let-out in the interpretation of "steady as she goes." Members of the Fed open market committee differ on the appropriate monetary variables. For the first quarter of 1984 they are all likely to be near the target ranges. But nervousness on international debt — fanned anew by Argentina's sailing close to the wind in delaying first quarter interest payments—will reinforce those in the Fed who want to avoid an interest rate flare-up in an election year. So short-term rates may move less than the monetarists might think proper, but more than most bankers and market commentators expect or approve.



Pre-occupation with the exact psychology of Paul Volcker has reached almost morbid proportions. One analyst financed a study of stresses in Mr Volcker's voice for signs of insincerity as he testified to Congress and came to the conclusion that the Fed chairman was less hawkish than he appeared. Another analyst made a vocabulary check and noted new signs of urgency in Volcker references to the strength of the recovery.

It requires no deep psychology to understand why such people as Paul Volcker and Martin Feldstein have been ringing the alarm bells so vigorously in Washington. The months up to the end of May provide a "legislative window"; i.e., the last time when Congress can do anything serious about the budget before the party conventions and the presidential election envelope everything else.

Fiscal action will have to be much greater than anything currently suggested if it is to make a major dent in the deficit. The Administration's own projections show a deficit close to $200bn right through the 1980s, if no agreement is reached with Congress on cuts. But they are based on extremely optimistic assumptions about growth, inflation and interest rates, which are disputed both by the Congressional Budget Office and the Bipartisan Budget Appeal. The latter is an anti-deficit committee of former Treasury secretaries.

According to the committee, deficits in the 1980s will climb to $350bn if no action is taken, and would climb to $275bn even if the President could put through his own preferred package of mainly civilian spending cuts, which Congress will not have. As Tony Solomon, the New York Fed president, said last week, a major cut in deficits would require a combination of unthinkables: higher taxes, a slower rise in military spending, revised social security entitlements, and less fiscal help to interest groups. (Gary Hart, art thou listening there on the campaign trail?)

The immediate impact of the deficit has not been to crowd out business investment, which has been rising fast, but to fuel economic recovery to an unsustainable pace. The apparent slowdown in the last quarter of 1983 has been largely revised away. Few people now talk of recession in 1984, a prediction itself based on a monetary slowdown which has also tended to disappear as a result of statistical revision.

Dr Feldstein expects at least 6 per cent annualised growth in the first quarter of 1984. Capacity utilisation has risen to near 80 per cent. This is not far from the 83 per cent at which many economists expect inflationary bottlenecks to appear. Some strains are reported already.

Unemployment has fallen to 8 per cent and looks like reaching 7 per cent before the end of the year. The latter corresponds with many estimates of the NAIRU or rate below which inflation accelerates indefinitely. An economic model which stresses that inflation depends on the rate of change of demand and capacity utilisation, as well as on their levels, has no difficulty in explaining rising inflation even without bringing in the dollar.

The recent fall in the dollar of 5 to 10 per cent hardly needs an explanation, given the $80bn current account deficit and the deterioration in U.S. competitiveness. The puzzle is rather why it rose so much. The balance of payments gap is no longer being met by net long-term inward investments, but by short-term and banking flows. The dollar must move to whatever level is required to attract this near-hot money.

A current fashion is to regard a fall to between DM 2.40 and DM 2.50 as a healthy correction, a range not quite yet reached. If the dollar fell to anything like DM 2.10 or DM 2.20, both Wall Street and many policy-makers would become alarmed.

The event most feared by dollar-watchers is a surprise improvement in presidential prospects for Walter Mondale, who has espoused dollar devaluation on lines reminiscent of Michael Foot and Peter Shore over sterling, or some sign of age or illness by President Reagan which would make the electorate nervous. But a more purely financial factor accounts for the downside risk. The long-sought thaw in U.S. real interest rates has occurred — not because of a thaw in nominal rates, which have in fact hardened but because of a rise in inflationary expectations.

P.S. An example of the jittery mood in New York is that Italo-American leaders have protested at the forthcoming visit to the Metropolitan Opera House of the excellent English National Opera's *Rigoletto*—one of the few modern settings which really works—because they are offended that Rigoletto is shown as a barman at a Mafia hotel in New York's Little Italy in the 1950s.

Letters to the Editor

Radiopaging and competition

From the Group Managing Director, Air Call.

Sir,—With reference to your article (March 5) reporting the Office of Fair Trading's decision on British Telecom radiopaging it is not true that private companies can now compete fairly with British Telecom services. The Office of Fair Trading took three years to investigate and come to a conclusion. In that time, British Telecom radiopaging service expanded seven times, now dominating the market with over 75 per cent.

Taking its income today with such an overwhelming market dominance is not a fair trading yardstick. The cost of achieving this dominance through expenditure without limit for several years, on sales promotion, capital outlay, engineering and trunked facilities should have been included.

According to the Government no separate accounts exist for the different services within British Telecom on which the Office of Fair Trading could base any decision.

The first direct connection of a competing service occurred in November 1983. Even now all users of the private service have to pay for their telephone calls—British Telecom subscribers do not.

Rental of pagers appear on telephone bills. We are told separate billing will occur "as soon as practicable." When will this be, we wonder? Three years to investigate, how long to reality?

Probably the most frightening aspect of this whole saga, is the fact that the OFT can carry out an investigation under Section 3 of the Competition Act 1980 but it has no power to force British Telecom to do anything.

J. W. Tayler.
176-184, Vauxhall Bridge Road, SW1.

The case for barter

From Mr H. Edwards.

Sir,—Mr Mellor (March 6) proclaims the case for barter by the over-borrowed countries. There are obvious economic arguments against the prospects for barter or, more correctly, countertrade—demand in the rich countries does not exist or will soon be saturated, domestic firms will compete successfully rather than lose sales, and if there were a real market for the foreign product it would have been imported earlier, etc.

Nevertheless, LDC governments must try to feed their starving millions and will maximise the short term opportunity to force their products into the world market.

UK exporters should never lose an order through the unwillingness to accept countertrade. Before concluding prices, exporters can turn the unwanted purchase contract over to a specalist barter house or negotiate the purchase and its disposal themselves.

The risks to profit can be insured via a specialist credit insurance broker who will also provide advice on the seperate contracts for export, import and disposal.

For the time being anyway, the companies and countries maintaining market share in exports will surely be those accepting the need to countertrade willingly and expertly.

H. Edwards.
66 Park View,
Hoddesdon, Herts.

Engineering training

From the Vice-Chairman and Chief Executive, A.I. Welders.

Sir,—As a long-time member of engineering employer associations, I confess bewilderment at the recent Engineering Employers Federation announcement, claimed to represent the attituda of its members towards the engineering industry training board EITB.

This official response to EITB consultation is a rag-bag of constructive and destructive criticism, of praise and outright damnation. It is without shape or form and in the end arrives at no clear conclusion.

The recent approach of 13 large engineering companies to the Secretary of State, arguing the case for the abolition of the board, is not a pointer to the view of most federated companies and must not be allowed to cloud the issue. Only seven of these were EEF members and they each enjoy well-established "in-house" training departments which can serve their present and future needs more than adequately.

Not so the majority of small and medium companies on which the strength of the industry depends.

During the lifetime of the EITB, directly and indirectly, I have held overall executive responsibility for the management of some 40 companies, ranging in size from 50 to 5,000 employees and located in widely spread parts of the UK. During that time I cannot recall one instance when the attitude of EITB staff or the quality of their work has been at issue. On the contrary, their contribution to the training of craft and technician apprentices has been excellent and has achieved standards of training unsurpassed, I believe, by any other major industrial country in the west. Far from finding them to be "bureaucratic, imperious and intrusive," we have found them to be practical, helpful and supportive.

The federation is, however, right to insist that the board become more cost-effective and be confined to its well-established role of craft and technician training. It is right also to call for changes in the grant and levy system, a reduction in the board's policing role and the improvement of its capacity to deal with advanced technologies.

But it must now state clearly its views of the board's future. Is it to be retained and its performance improved, or is it to be killed and the future training needs of the nation's largest industry thrown into the political melting pot and the waiting, octopus arms of the manpower services commission?

If the outcome of the federation's present indecisiveness leads to the latter course, the industry will suffer a dramatic debasement of training standards, since MSC lacks both understanding and background and is still struggling with its present burdens. In a relatively short space of time the size and contribution of the industry will be diminished and, further, irrecoverable damage will be done to the country's wealth-creating base.

Let common sense prevail. Let us now give backing to the board and restore the morale and effectiveness of its staff; a body of men and women whose capabilities have been so grossly and unfairly maligned in the past two or three years.

B. C. Hilton,
Academy Street, Inverness.

Investing in the infrastructure

From the Director, British Road Federation

Sir, — Samuel Brittan, in his discussion of the forthcoming Budget (March 3), argues that with growth likely to exceed 3 per cent, there is no argument for giving the economy a stimulus or departing upwards from the planned PSBR path. I would have had more sympathy for this view were it not for the way that the Government has tackled the policy objective of reducing the PSBR as a percentage of GDP.

The success achieved to date has come about only through massive reductions in public-sector capital expenditure, since current expenditure has consistently overrun its planned level. The latest public expenditure White Paper shows that the Government intends to continue this approach in 1984-85. In effect the public sector has only reduced its borrowing by reducing its investment, particularly in housing and infrastructure.

This is not the policy that was promised the nation in 1979, and it is not the policy which a Government should be pursuing if it is seriously expecting the economy to move to a higher long run growth path. A faster rate of growth will place added pressures on an infrastructure which is already widely regarded as shabby and inadequate. The essence of any investment policy, whether in the public or private sector, is to invest today in order to meet the challenges of the future. Infrastructure cannot, in the main, be provided by the private sector, and so the onus to invest must be with the Government.

A limited relaxation of PSBR targets must be made to enable this to happen. If invested sensibly, this borrowing would facilitate the prosperity of the private sector, not threaten it. The additional borrowing would not be large in relation to the major financial flows in the economy. It would not represent a major change in fiscal stance, threaten monetary control or, if presented in the correct way, increase inflation expectations. To this end some means must be found of presenting coherent information about the public sector's existing capital assets, the range of new investment opportunities and the financing implications of investment policy, in the Government's public expenditure and budgetary documents.

This is not a suggestion that creative accounting should be used to justify a reflationary fiscal policy: it is designed to provide the framework for a rational debate about public investment.

David Gent.
Cowdray House,
6, Portugal Street, WC2.

Vacancies at Sainsbury's

From Mr R. Clark

Sir,—Your piece in Men and Matters of March 9 highlighted an undeniable mistake on our part.

Currently, we have unfilled vacancies in the south of England for "A" level trainees but we welcome applications for these jobs from anywhere in the country.

R. A. Clark,
J. Sainsbury,
Stamford House,
Stamford Street, SE1.

FINANCIAL TIMES

Monday March 12 1984

Terry Byland on Wall Street

Banks firm against the trend

THE merciless shake-out in Wall Street's industrial stocks continues to overshadow areas where investment confidence – and stock prices – have resisted the overall downslide. Bank stocks, which underperformed the stock market last year for a host of only too easily identifiable reasons, now stand out strongly against the general trend.

"Against the trend" is not saying all that much after the huge setback in equity prices since Christmas. Some of the leading wholesale, or money-centre bank stocks have done little to shout about since January. But just to hold steady over a period that has seen the various market indices in rapid and sometimes near unstoppable retreat is no mean feat.

The first three months of the year have seen something of a reversal of last year's trends in bank stocks. Money-centre bank stocks are beginning to recover investment favour, which was switched to the regional banks' issues last year because of their relative lack of exposure to the international debt problems.

Since the beginning of the year, stocks in Chemical Bank of New York, Irving Bank and J.P. Morgan have all shown significant increases, while Security Pacific has fallen by nearly 10 per cent, almost equal to the setback in the Dow Jones industrial average over the same period.

Measured against the fall of 6.5 per cent so far this year in the Standard and Poor's 400-stock index, Chemical Bank has gained 2.4 per cent and J. P. Morgan 2.6 per cent.

Bank	Price ($)	P/E
Bankamerica	20⅝	10
BankersTrust	45¼	5
Chemical NY	46½	5
Irving	58⅝	6
J. P. Morgan	69½	7
Regionals		
Sec. Pacific	46	8
Wells Fargo	40⅞	7
S & P 400	rating: 174.18	average: 9.5

The improvement in bank stock ratings reflects a generally favourable reception for the 1983 results from the big names, which showed earnings and profitability somewhat better than expected, together with a more optimistic view of the outlook among Wall Street bank analysts.

The successful completion in late January of the $6.5bn loan for Brazil played a leading role in a significant easing of tensions over the banks' Latin American debt problems, although Argentina is now giving cause for concern.

The prospects of a serious default in Latin America seem to the analysts to have lessened since the middle of last year. Moreover, the money-centre banks bolstered their loan loss provisions at the end of 1983 – not as much as some analysts would have liked but enough to put the sector's reserves at their highest for 10 years.

Among the regionals, the worst of the energy loan disasters is probably over "again", comments Mr Mark Alpert of Bear Stearns. Last year's write-offs, which were still above average, at least left behind a substantially improved reserve position.

This improvement in Wall Street's perception of bank stocks may not yet have been fully taken into stock prices. Bank stocks traditionally trade in the stock market on price earnings multiples showing a discount to those on industrials, as measured by the S&P 400 index.

This discount widened substantially last year when earnings prospects were under a cloud, and the recent trend of the sector still leaves it wider than in the past.

Chemical Bank trades on a p/e only 53 per cent of that on the S&P 400, and Citicorp only 63 per cent. With the rest of the money-centre banks trading at around six or seven times earnings, against 9.5 times for the S&P index, the whole sector seems to be slightly undervalued by the traditional market standards.

Moreover, current ratings are taking little account of profit forecasts for the current year. Bear Stearns is looking for an earnings gain of 7.9 per cent from the sector this year.

With the market now taking a cooler view of earnings prospects for industrial companies, bank stocks may still be on the low side. Soaring short-term interest rates have become a problem over the past fortnight, since they increase the cost of funds to the banks. But that might be put right very shortly by a general rise in prime rates.

The U.S. banks are by no means out of the woods yet, but the firmness of the stocks over the past two months indicates that Wall Street is prepared to take a positive view of the sector's past difficulties.

MONDALE FACES CRUCIAL TESTS TOMORROW

Wyoming gives Hart new boost

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

SENATOR Gary Hart's presidential campaign received a further psychological boost at the weekend with his first clear Western victory over former vice-president Walter Mondale, his leading rival for the Democratic candidacy. Mr Hart took 60 per cent of the vote in Saturday's party caucuses in neighbouring Wyoming against only 36 per cent for Mr Mondale.

Mr Mondale's supporters claimed that their candidate's showing had been better than expected in a state he had never hoped to win. Mr Hart's victory, however, served to maintain the momentum that has sustained him since his defeat of Mr Mondale in the New Hampshire primary just under two weeks ago.

Fresh evidence of what has become known as the Hart "explosion" was provided yesterday by a CBS-New York Times poll, which gave Mr Hart a 38 to 31 per cent lead over Mr Mondale among Democrats nationally. Two weeks earlier, a similar poll showed Mr Mondale running away with 57 per cent and Mr Hart with only 7 per cent.

Among voters of both parties, the poll showed President Ronald Reagan beating Mr Hart by 44 to 40 per cent, a reversal of a Gallup poll published on Friday, which for the first time put Mr Hart ahead of Mr Reagan by 52 to 43 per cent – among an admittedly small sample of voters.

All five remaining candidates now face a crucial test in the nine state primaries and caucuses tomorrow when Democrats will choose more than 500 out of nearly 4,000 delegates who are to attend the party's convention in San Francisco in July.

Mr Mondale spent the last week energetically campaigning in the South, where he hopes to turn the Hart tide in Tuesday's three key primaries in Florida, Georgia and Alabama. He has to show that he can still be a winner in the South if he is to rescue his once formidable campaign from collapse.

The latest Washington Post – ABC News poll, published yesterday, showed Mr Mondale mounting a strong challenge in Florida, where, with 33 per cent of the vote, he appeared to be narrowing the gap on Mr Hart's 41 per cent.

In Alabama, which Mr Mondale has predicted he will win, the poll showed him leading by 38 to 28 per cent, and a local survey gave him a modest lead over Mr Hart in Georgia.

Mr Patrick Caddell, Mr Hart's principal campaign strategist, yesterday predicted that Mr Hart would win several of tomorrow's nine polls. His candidate had a "decent shot" at Florida, and would probably win Massachusetts, where the polls show him considerably ahead of Mr Mondale, he said.

Mr Hart was "moving" in Alabama and Georgia, Mr Cadell said, but he was not sure if there was enough time for him to overtake Mr Mondale's lead. Mr Mondale has been concentrating heavily on Alabama and Georgia in the last few days, travelling to Plains, Georgia, on Saturday for a highly publicised barbecue lunch rally with former President Jimmy Carter in his home town.

Behind the two leaders, both Senator John Glenn of Ohio and the Rev Jesse Jackson are looking to Tuesday's vote in the South to retrieve their flagging campaigns. Mr Glenn yesterday forecast that he would do better than expected in the South, while Mr Jackson said he confidently expected to win Alabama.

Mr Jackson could damage Mr Mondale in the South by taking black votes that would normally go to Mr Mondale as the most liberal of the Democratic candidates. In his latest southern swing, Mr Mondale has been trying to establish that it is now a two-man contest between him and Mr Hart, implying that votes for Mr Jackson or Mr Glenn will be wasted.

Mr George McGovern, of South Dakota, the only one of the five remaining candidates still to have acquired no convention delegates, is looking for a strong showing in Massachusetts. Failing that, he has said, he will drop out of the race.

South Africa plans new curb on oil supply disclosures

BY BERNARD SIMON IN JOHANNESBURG

WIDE Government powers over South Africa's oil industry and a near total clamp on disclosure of any aspect of the country's oil supplies are proposed in draft legislation published at the weekend.

In terms of an amendment to the Petroleum Products Act, the Minister of Minerals and Energy Affairs will be able to regulate or prohibit any practice affecting the cost of petroleum products or the cost structure of any company in the oil industry.

Strict censorship already applies to oil-related matters, but the new Bill extends the curbs to include any written or oral release, announcement, disclosure and even comments on such topics. Films, photographs and pictures will also be forbidden without ministerial approval.

An oil industry official said yesterday that the Minister "can now step in to regulate, monitor or veto any transaction about petrol or oil at any stage."

No official explanation has yet been given for the new restrictions. The Bill will probably be debated in parliament within the next week or two.

The tighter curbs follow the disclosure in recent years of several costly transactions which have deeply embarrassed the South African authorities. The Government lost R30m ($25m) in the celebrated Salem oil fraud in 1979, involving a tanker which secretly discharged a cargo of Kuwaiti crude in Durban before sinking mysteriously off the West Coast of Africa.

The Government also admitted late last year that it paid several million rand for use of the "sniffer plane" exploration technique developed with the support of the French oil group Elf and subsequently discovered to be a hoax. The oil-from-coal producer Sasol is currently defending a legal claim of at least R90m brought by several local businessmen. The case is expected to be heard in secret.

The Government has insisted in the past that secrecy is essential because of the clandestine way in which the bulk of South Africa's oil supplies are bought in the face of a boycott by Opec producers. The secrecy of buying and shipping operations has been extended since the revolution in Iran, which used to be South Africa's biggest oil supplier.

Meanwhile, a Mobil fuel depot on the outskirts of Ermelo in the Eastern Transvaal was extensively damaged by a series of bomb blasts early yesterday. Police said sabotage was suspected, and it seems likely that the attack was carried out by guerrillas of the African National Congress (ANC).

Ermelo is about 120 miles from the South African-Mozambique border, where leaders of the two countries are expected to sign a non-aggression pact next Friday.

Way clear for Namibia talks, Page 3

HK banks cut prime 1.5 points

By Robert Cottrell in Hong Kong

HONG KONG banks have cut local interest rates by 1.5 percentage points, lowering the prime lending rate to 8.5 per cent. The cut, the fourth this year, means that the local prime is now a little over half the recent peak of 16 per cent reached in October 1983.

The current prime rate is the territory's lowest since November 1978. It is also half a percentage point lower than the 9 per cent average inflation rate officially forecast for Hong Kong in 1984.

The Hong Kong Association of Banks, which is the territory's interest-rate cartel, says the cut, announced on Saturday, reflects the continuing availability of cheap money in Hong Kong's inter-bank market. Overnight rates have often dropped as low as 2 per cent in recent weeks.

Some of the market's liquidity may have been attributable to speculation that the Hong Kong dollar may be revalued upwards against the U.S. dollar, if the latter continues to weaken.

Speculators do not appear to have been entirely discouraged by the budget speech on February 29 when Sir John Bremridge, Hong Kong's Financial Secretary, said he "would not lightly alter" the pegged rate of HK$7.80 to the U.S. dollar which has prevailed since October 1983.

The cut in interest rates, if sustained, will provide an attractive climate for a forthcoming HK$1bn (U.S.$128.2m) Hong Kong Government bond issue, due late this month. In the private sector, the benefits of a lower prime rate will be felt particularly among the territory's many overborrowed property development companies.

Bonn attacks 35-hour week

BY RUPERT CORNWELL IN BONN

THE BONN Government has come out harshly against the union campaign for a 35-hour working week with no corresponding cut in pay as West German industry braced itself for a wave of "warning strikes."

Count Otto Lambsdorff, the Economics Minister, speaking yesterday during a rally before the Baden-Württemberg state election on March 25, insisted that the unions must be ready not to strike but to compromise – or see jobs destroyed.

A 35-hour week (a 40-hour week is presently normal in industry) would hurt unemployed and employed alike, he said.

"A 35-hour week means a return to the six-day week," he said. Plants would have to operate longer to meet demand. The injunctions from Count Lambsdorff, Chancellor Kohl and the employers have produced no obvious result so far.

Talks on new pay settlements at a regional level, especially in the key engineering sector, have failed to gain movement from either side – in public at least. At the end of last week, IG-Metall, the union at the front of the campaign for shorter hours, said that brief warning strikes would be held from today at certain factories.

Even so, there have been new hints at a possible compromise. The Government, not without difficulty, is seeking to improve its draft early retirement bill, to reduce the pensionable age to 58, instead of 59 as first planned.

Count Lambsdorff made clear this weekend that early retirement should be seen as an alternative to the 35-hour week. However, he did not rule out the possibility of a cut in hours, provided that that did not add to the costs of industry.

Union leaders have indicated that a smaller cut in working hours might be enough to satisfy them. Despite the rhetoric, everyone is well aware that a battle might escalate quickly.

Even the SPD opposition, after initially backing the unions' demands, has been conspicuously quiet on the issue lately.

UK miners divided over strike

BY DAVID GOODHART IN LONDON AND MARK MEREDITH IN EDINBURGH

COAL MINERS in South Wales yesterday dealt a further blow to the leadership of Britain's National Union of Mineworkers by firmly rejecting their area executive recommendation to strike.

The attempt to usher in national industrial action over pit closures area by area – thus by-passing the need for a strike ballot – has now virtually collapsed.

The area of Kent in South-East England yesterday backed strike action and most pits in Yorkshire will probably be closed this morning, but other areas have either rejected the strike at executive level or – like Nottinghamshire – have backed a ballot.

The decision by the traditionally militant South Wales miners surprised and disappointed NUM officials. At least 15 pits – with 11,000 workers – rejected the strike call, while about six pits – with 3,700 workers – voted for a stoppage. The outcome at the remaining six pits will be known today.

Among pits voting against the stoppage were three recently pinpointed by the union as likely targets for closure. South Wales last year voted by a large majority for strike action during the national ballot.

There is considerable uncertainty about how many of the 14,000 Scottish miners will strike today after violent arguments at meetings during the weekend. About 2,850 men at three pits were already on strike before Friday's decision to call an area strike.

The National Coal Board said yesterday miners at seven other pits might work. Pickets are expected in Scotland at Polkemmet and Bilston Glen, south of Edinburgh.

Pickets from Yorkshire might also attempt to close pits in Nottingham or the Midlands – both areas which have decided to ballot their members on action.

In a Mori poll for a weekend television programme miners in Yorkshire backed strike action by 77 per cent to 20 per cent while those in Nottinghamshire rejected it by 53 per cent to 39 per cent.

Marc Rich charge is dropped

Continued from Page 1

markets. It recently concluded a deal involving what is believed to be the world's biggest single export shipment of ferrous (steel) scrap from Liverpool. The freight cost alone is nearly $1m. A cargo of nearly 45,000 tonnes of scrap, estimated to be worth some £3m ($4.4m), left Liverpool last month on the MV Aqua Glory for South Korea and Japan.

The scrap was bought by the Marc Rich group from merchants in Britain for delivery to Liverpool, where it was assembled for shipping to the Far East. The surplus of ferrous scrap in Europe at present makes it possible to sell profitably to the Far East in spite of a freight rate of about $22 a tonne. Big cargoes are needed to make the transaction worthwhile.

The Marc Rich group also continues to be heavily involved in oil trading, its main source of income. It is believed recently to have chartered a giant tanker, the Cougar, carrying 280,000 tonnes of oil from Kharg Island, Iran, to the Red Sea.

It is believed that four fifths of the group's total business is outside the U.S. and that, in many cases, business involving U.S. transactions is being channelled via "friendly" merchant companies.

But business has been hit badly in the U.S. Clarendon, the former Marc Rich subsidiary in New York, has been forced to reduce its activities to such an extent that some 200 employees have either left or been transferred elsewhere in the group. Only a skeleton staff remains.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Dubrovnik	F	12	54	Malaga	S	14	57	Salzburg	C	2	36
Akrotiri	F	16	61	Faro	S	15	59	Malta	S	14	57	Seoul	C	7	45
Algiers	C	11	52	Florence	S	10	50	Manila	S	33	91	Singapore	S	31	88
Amsterdam	C	5	41	Frankfurt	S	5	41	Miami	C	24	75	Stockholm	C	1	34
Athens	F	11	52	Funchal	S	16	61	Milan	S	9	48	Strasbourg	C	2	36
Bahrain	—	—	—	Geneva	S	2	36	Moscow	S	6	43	Sydney	S	26	79
Bangkok	S	33	91	Gibraltar	C	13	55	Munich	F	1	34	Taipei	R	19	66
Barcelona	S	9	48	Guernsey	C	8	46	Nairobi	—	—	—	Tangier	F	14	57
Beirut	R	17	63	Helsinki	S	1	34	Naples	C	8	46	Tehran	—	—	—
Belgrade	F	5	41	H. Kong	C	15	59	New Delhi	S	30	86	Tel Aviv	S	19	66
Berlin	S	5	41	Innsbruck	S	2	36	New York	C	-3	27	Tenerife	F	20	68
Biarritz	F	8	46	Inverness	C	6	43	Nice	S	12	54	Tokyo	S	9	48
Blackpool	R	6	43	Istanbul	R	2	36	Oporto	S	10	50	Toronto	Sn	-5	23
Bordeaux	C	7	45	Jersey	F	8	46	Oslo	F	1	34	Tunis	C	13	55
Brussels	R	4	39	Jo'burg	S	26	79	Paris	C	7	45	Valencia	S	12	54
Budapest	F	6	43	Las Palmas	F	21	70	Prague	F	2	36	Venice	S	10	50
B. Aires	C	25	77	Lima	S	25	77	Reykjavik	C	0	32	Vienna	C	3	37
Cairo	S	24	75	Lisbon	S	11	52	Rio de J'o	C	36	97	Warsaw	S	2	36
Cape Town	—	—	—	Locarno	S	8	46	Rome	C	11	52	Zurich	F	2	36
Caracas	—	—	—	London	C	8	46								
Casablanca	S	16	61	Los Angeles	S	26	79								
Copenhagen	C	2	36	Luxembourg	S	5	41								
Corfu	F	13	55	Madrid	S	6	43								
Dublin	C	5	41	Majorca	S	11	52								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Brazilian steel faces U.S. duties

Continued from Page 1

accepting a bad deal that might affect its negotiations with other countries. Duties that will now be imposed on Brazilian steel are likely to increase the price by more than 27 per cent.

The problem for Brazil has been made even more serious by the Commerce Department ruling on Friday that the U.S. steel industry has suffered injury as a result of Brazilian dumping. That will bring tariffs into effect, and the combination of the two is expected to shut Brazil out of the U.S. market.

THE LEX COLUMN

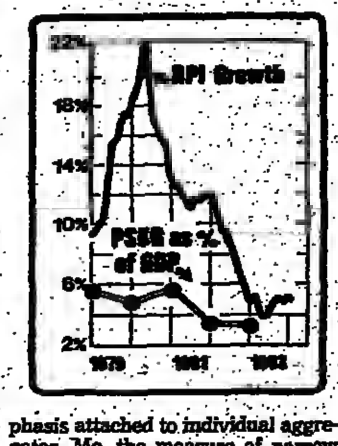
The Chancellor deals his hand

Mr Nigel Lawson has been drafting his budget proposals on a piece of paper as clear of awkward political and economic marginalia as any UK Chancellor of the Exchequer could wish for. At the beginning of a second term, and with a thumping parliamentary majority to support it, the Government enjoys remarkable freedom of action.

The Chancellor can also take comfort from the financial markets. Equities stand at record levels, Barclays has just nudged the money markets towards lower rates and gilt-edged, deaf to the sirens on Wall Street, are stable to the point of boredom. Even sterling, which this time last year was being buffeted by the slide in oil prices, stands at a level against both the dollar and the EMS which must be broadly acceptable to the Treasury.

Mr Lawson is not, by all accounts, the kind of man to let such an opportunity pass by. It may therefore have been a source of some frustration to him that the budget has been anticipated – at least in terms of its overall fiscal impact – with less than wholehearted rapture. This is partly attributable to the elevation of the Autumn Statement and White Paper (policy document) on Expenditure as indicators of Government policy, and also, no doubt, to the welcome structural straitjacket of the medium-term financial strategy (MFFS).

But this year, more than most, there is in addition a widespread conviction that the Chancellor's best course of action would be to sit on his hands. The outlook for tax revenues, and North Sea receipts in particular, is strong enough for the Chancellor to aim at a PSBR target of under £8bn in 1984-85 without any significant increase in the fiscal burden.



Neutrality

Even allowing for the arithmetical distortions introduced by asset sales and the optimism of the Treasury's spending assumptions, a neutral budget would probably conform with most of his fiscal objectives. Arguably, policy is already too loose – witness the persistent buoyancy of consumer spending – but the recent disappointing figures for unemployment and vacancies will give the Treasury little incentive to tighten.

Nor is the Chancellor expected to change course on monetary policy. Targets for the wider aggregates are already enshrined in the MTFS and a growth band of 6-10 per cent for both sterling M3 and PSL2 is likely to be endorsed in the budget. Of more interest should be the emphasis attached to individual aggregates. M0, the measure of narrow money singled out by the Chancellor last autumn, should win its spurs as a targeted aggregate, while the other narrow measures may be quietly returned to the Treasury for an overhaul. Meanwhile, the progressive transfer of savings from bank deposits to building society sight accounts may encourage greater attention to the broader PSL2 at the expense of sterling M3.

The markets will probably reserve judgment on M0 until its putative role in determining short-term interest rate policy has been tested. In any event, the Treasury will presumably err on the side of caution by declaring a wide target band for its new, and rather wayward, friend.

Theoretically, tomorrow's budget could be one of the dullest for years. In reality, however, that would be most surprising. The recent tax salvoes at the gilt-edged profits of building societies and the deposit base of the clearing banks have encouraged expectations of a wide-ranging redistribution of taxes on savings. The life assurance sector has become worried enough about the abolition of relief on new premiums to launch a last-minute advertising campaign, while, as a defensive measure, the clearing banks were last week piling tax liabilities into their preliminary statements as if leasing had never been invented.

Moreover, the Chancellor has an opportunity at last to elucidate the broad strategy of the second term – something which the financial markets are still struggling to grasp. If, as expected, the medium term is redefined as a five-year period, the markets should at least have some guidance as to whether stable prices and balanced budgets are the goal of this Government or not.

In the first instance, however, the focus of attention will be on fiscal reform. The present structure of tax on savings is anomalous, to put it no more strongly, and anyone bold enough to tackle it should be greeted with a rousing hallelujah in the House of Commons. Yet, as the Treasury and the Inland Revenue are only too aware, fiscal distortion is not only a time-honoured tradition but a problem which cannot be attacked piecemeal.

Savings pool

There are certain measures – such as a reduction of stamp duty or abolition of the investment income surcharge – which could be implemented at a stroke without sending too many ripples through the overall savings pool. But more radical steps – such as an attack on the tax status of life or pension funds – would need to form part of a considered strategy and would take time to think through. It would in any case be unreasonable to expect life funds, for example, to adjust to their privileged world overnight.

But, even if the budget turns out to be not much more than a statement of principles to be followed by a mountain of green paper, a real chance to clear the fiscal decks will have been seized. The markets, alerted to these dangers by the carnage wrought at the short end of the gilt-edged market by the Inland Revenue a fortnight ago, have been busy trying to guess the Chancellor's intentions.

So long as the Chancellor is just playing Robin Hood and taking privileges from institutions to finance a better deal for individuals, there seems little reason for the general price level in the equity or fixed-interest markets to be affected. At best, they may gain some confidence from evidence of a less interfering approach by the Government.

And, even within sectors, the effect of tax changes may be ambiguous. While there is no doubt that life companies would suffer in the long run from loss of relief, a once-off fall in the rate of surrenders would do wonders for first year cash flow.

From the standpoint of the equity market, the darkest horse of all is the mooted trade-off between capital allowances and corporation tax abatement. Any significant move here could clearly damage the ratings of capital-hungry companies to the benefit of stores and service industries. Tomorrow could conceivably be a great day for the well known British Aerospace/J. Sainsbury switch.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 12 1984

Belgians boycott Paris-led Ecu bonds

By Our Euromarkets Staff

TEMPERS have been fraying in the European currency unit (Ecu) bond market and last week they exploded.

Because most Ecu bonds end up in the hands of investors in the Benelux area, Belgian banks are in the best position to place the paper.

The three biggest Belgian banks – Kredietbank, Banque Bruxelles Lambert and Société Générale de Banque – meet regularly to draw up an informal schedule of new Ecu issues for the coming weeks. They claim to have enough clients to satisfy investor demand for Ecu paper, while collecting the lead-management fees for themselves.

The problem is that French banks, too, want to lead Ecu bonds. But they take no part in the calendar-setting and, according to Belgian bankers, expect the Belgian banks to do their placing for them.

As a result, the Belgian banks last week boycotted issues for PKBanken and the EEC. And cynics suggested that the recent floating rate note deal by Credit Commercial de France for Megal was designed to get round the ban.

It is convertible to a fixed-rate bond within the next nine months, and since the coupon on that bond – 11¼ per cent – seems reasonably attractive at today's rates, it is widely expected that most bondholders will convert. But because it is technically a floating rate note, it is not covered by the calendar.

M Damien Wigny, of Kredietbank Luxembourgeoise, explains their dilemma: "If the French banks find ways to enlarge the placement of Ecu bonds, that's fantastic. But it's not fair for them to tell the borrower they can count on the Belgians to place the paper, because the Belgians have responsibilities to their own borrowers and they're already using all the placing capacity they've got."

EUROBONDS

Sterling sector dispels gloom

BY MARY ANN SIEGHART IN LONDON

GLOOM settled on the Eurodollar bond market last week as prices of seasoned bonds plunged, in some cases by over two points and recent new issues languished at huge discounts to their offer prices.

One problem is the currency. Non-dollar denominated investors like the Swiss are worried that the dollar will fall. But the major influence has been the dire performance of the U.S. domestic bond market. The benchmark Treasury long bond fell in price by over three points on the week because of fears of higher interest rates and concern that Senator Gary Hart might be elected U.S. President and pursue inflationary policies.

The only really successful new Eurobond last week was a £100m Eurosterling issue for the World Bank which, despite yielding less than the equivalent gilt-edged stock at its issue price, was snapped up by investors.

BHF Bank bond average		
March 9		Previous
99.858		99.880
High	1983-84	Low
102.017		97.899

Total Eurosterling and bulldog bond new issue volume amounts to £730m over the last three weeks after a steady stream in the first six weeks of the year.

There is no shortage of borrowers to tap the market. Many believe that, in the long term, sterling is likely to depreciate and their interest payments will therefore become cheaper. But in the short term, especially against the dollar, the pound may well strengthen, and this has attracted investors.

There have been interesting developments in the Swiss franc foreign bond market too. The euphoria of a few weeks ago over convertible private placements from Japanese borrowers has died down, but the borrowers are reluctant to raise their coupons.

As a result, new techniques are being used to make the bonds more attractive to investors without obviously having to pay more. The first sign was the emergence of early redemption (or put) options for investors, effectively shortening the life of the bonds.

Then two bonds last week – for Mitsubishi Rayon and Dainippon Ink – were given coupons of 2 per cent for the first three years, rising to 2½ per cent for the final two.

Prices of seasoned D-Mark bonds were dragged down slightly by the New York market, but Swiss franc bonds gained ½ point on the week.

INTERNATIONAL CREDITS

Banks unite over Argentine debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

ARGENTINA'S bank creditors now seem resigned to the fact that there is little chance of the Government of President Raul Alfonsio reducing its debt service arrears before the crucial March 31 balance sheet deadline for U.S. banks.

This means that, for the first time since the debt crisis started, U.S. banks will have to place public sector loans to a major Latin American borrower on a non-performing basis. The process will hurt their first-quarter profits, since they are not allowed to count interest due on non-performing loans as a part of their earnings for the quarter.

After two days of talks in New York last week, there is little doubt that leading creditor banks are increasingly nervous about Argentina's policy towards its foreign debt, on which no interest has been paid since October 13 despite a build-up of foreign exchange reserves to about $1bn.

Yet the simple fact that the March deadline is likely to be missed is not being taken as a sign that Argentina is now poised actually to repudiate its $43.6bn foreign debt. From the outset, the talks between the Alfonsin Government and its foreign bank creditors have been characterised by posturing around one central problem: Argentina wants credit to pay its arrears, while the banks want the arrears reduced before extending further credit.

Most bankers believe that sooner or later a way will be found out of this impasse. For example, a new agreement between Argentina and the International Monetary Fund would encourage banks to restore credit, although this now looks most unlikely before the end of the month. Meanwhile, the banks are not willing to disburse the $1bn balance of the $1.5bn credit agreed last year as part of Argentina's 1983 rescue package.

A feature of last week's talks, which are to resume tomorrow, was the apparently united front of the creditor banks. In the past, U.S. banks have veered towards making concessions to the borrower when balance sheet deadlines loom. This time round there seems to be no gulf between them and their European counterparts.

Argentina's brinkmanship has thus brought its creditors closer together, which may diminish its chances of winning easier terms from the banks when serious talks do eventually start – unless, of course, the banks then cut their interest margins out of sheer relief that Argentina has returned to the fold.

In the syndicated credit market, Standard Oil of California last week raised a $14bn credit which was oversubscribed, even though it is now the largest single bank loan ever made. Its size made the launch of a $600m credit for Korea Exchange Bank look modest and the continuing stream of small deals for European borrowers seem peanuts by comparison.

Deals such as the $90m equivalent credit launched on Friday for Renfe, Spain's state railways, however, are playing an increasingly important role in the market. Although small, this deal is designed to satisfy the borrower's need for currency diversification as well as to tap pockets of available funds in different currencies.

The deal is being co-ordinated by Banco Urquijo and Toronto Dominion. Basic terms provide for an interest margin of ½ per cent over 10 years with repayments beginning after a seven-year grace period. The loan will be broken down into three separate components comprising £20m, DM 80m and Ecu 42m.

Istituto Mobiliare Italiano, Italy's state finance company, is raising $75m through a 10-year credit provided by a small club of banks co-ordinated by Chemical Bank and Industrial Bank of Japan. The loan bears a split margin starting at ⅜ per cent over Eurodollar rates and rising later to ½ per cent.

These very fine terms reflect its small size and exclusive nature. IMI might not obtain such fine margins on a large syndicated loan, but the fact that small clubs are prepared to lend at this price suggests that, like many other European borrowers, it does not need to put the market to the test.

This Friday should see terms revealed of the major loan package being put together by Broken Hill Proprietary of Australia, for its Central Queensland coal project.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Fujitsu §‡	100	1990	15	3	100	Nikko Secs., Kleinwort Benson	3.000
LTCB ‡	100	1989	5	11⅞	99¾	CSFB, LTCB Intl., Mgn. Guaranty, Sal. Bros.	11.944
Seino Transports. ¶‡	60	1989	5	6⅞	100	Daiwa Europe	6.875
Mitsubishi Gas ¶‡	50	1989	6	6⅞	100	Daiwa Europe	6.875
Nippon Mining ¶	50	1989	5	6¾	100	Nikko Secs., IBJ Intl.	*
Portugal †‡	100	1992	8	¼	100	Merrill Lynch	–
Lac Minerals ¶×‡	50	1989	5	8	100	Wood Gundy	8.000
I.N.I. †○‡	150	2000	16	3/16	100	Manufrs. Hanover	–
D-MARKS							
Finland ‡	150	1991	7	7½	100¼	Dresdner Bank	7.453
Asian Devt. Bank ‡	200	1994	10	7¼	99¼	Deutsche Bank	7.861
SWISS FRANCS							
Fujitsu **§‡	150	1989	–	1¾	100	CS	1.750
Showa Elec. Wire **§‡	50	1989	–	2⅛	100	SBC	2.125
Jap. Fin. Corp. for Munic. Entrps. ‡	100	1994	–	5½	99½	CS	5.567
Nichias Corp. **§	50	1989	–	2⅛	100	CS	2.125
Ricoh **§	100	1989	–	2	100	UBS	*
Mitsubishi Rayon **§‡ǂ	100	1989	–	2	100	UBS	2.000
Sankyo Co. **§‡	150	1989	–	1¾	100	UBS	1.750
Osaka Bldg. **§‡	40	1989	–	2⅛	100	UBS	2.125
Australia ‡	60	1996	–	5⅛	100	SBC	5.125
Fuji Spinning **§	20	1989	–	2⅛	100	Mgn. Grenfell en Suisse	*
Tsurumi Mfg. **§‡	20	1989	–	2	100	Banca del Gottardo	2.000
SWISS FRANCS							
Dainippon Ink **§ǂ‡	100	1989	–	2	100	CS	2.000
IADB	100	1996	–	*	*	SBC	6.125
Lonrho Intl.	80	1994	–	*	*	Kreditbank Suisse	*
Commerzbank ‖	100	1994	–	6	–	UBS	*
EDC ‖	100	1992	–	6⅛	–	SBC	*
Ned. Gasunie ‖**‡	100	1991	–	6	–	SBC	6.000
Deutsche Bank ‖**‡	75	1991	–	6	–	SBC	6.000
Bay. Vereinsbank ‖**‡	75	1991	–	6	–	SBC	6.000
STERLING							
Ricoh ¶	30	1989	5	5¼	100	Kleinwort Benson	*
Denmark ‡	75	1989	5	10¾	100	Hambros Bank	10.750
Belgium †(b)‡	100	1994	10	⅛	100	County Bank, Saml. Montagu, SG Warburg	–
World Bank ‡	100	1989	5	10⅝	99¾	Baring Bros.	10.692
NOR. KRONER							
Scand. Air. System	200	1991	7	11¾	*	Christiania Bank	*
ECUs							
RATP ‡	40	1992	7.025	10⅞	100	Credit Lyonnais, CCF, BBL	10.875
RATP ‡	20	1994	9.5	11	100	As above	11.000
EEC ‡	60	1991	7	10½	99¾	Caisse Gen. d'Epargne de Retraite	10.552
PKbanken ‡	50	1992	8	10⅞	99½	Societe Generale, Manufrs., Hanover, PKbanken	10.972
MEGAL †(b)ɸ‡	100	1994	10	3/16	100	CCF, BBL, IBJ, Mgn. Guaranty	–

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. (b) Spread over 3-month Libor. ¶ With warrants. ‖ Dual currency issue repayable in dollars. × Warrants for gold. ǂ 2½ coupon final two years. ɸ Convertible into 11¼% bond. ○ Coupon set every 3 months. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Prices tumble as inflation fears grip investors

U.S. Bond prices nose-dived last week after a sharp rise in short-term interest rates—offering further evidence that the economic recovery remains strong. This development added to fears nf a revival of inflation, while another dire warning came from Mr Paul Volcker, chairman of the federal reserve board.

Mr Volcker has again been spelling out to Congress and the Administration tha need for immediate action to cut the fiscal 1985 budget deficit. Yet many on Wall Street still doubt that any serious actinn will be taken in an election year.

While lt is commonly thought that the Fed would like to avoid any sharp monetary policy changes, there is a growing belief in the credit markets that the Fed may soon be forced to tighten up. The short-term question is no longer whether the Fed will take such action, but when, by how much, and whether lt will dn enough to maintain lts credlbility.

Against this background, the U.S. credit markets turned in their worst performance last week since the rally began in August 1982. At the close on Friday, the Treasury long bond was quoted at 97⅛, a 2½ point decline on the week. At that price, the key long bond is yielding 12.35 per cent, compared to 12.06 per cent a week earlier and 10.66 per cent e year ago.

Prices of Government securities fell sharply, with individual maturities down anywhere from ⅛ to 2½ points. The declines were particularly pronounced last week but they contitnued a trend apparent now for almost two months.

Much of the fall in prices was attributable to acute nervousness on the part of investors; retail demand is virtually non-existent. Yet it also reflects the increase in short-term interest rates.

Over the past four weeks, the Federal funds rate bas gained 25 basis points end was trading last week et about 9.75 per cent. Other money market rates have also moved higher, gaining between 10 and 45 basis points last week alone, although short-term rates are still below their 1983 highs.

Investor caution is also apparent in the intermediate and long-term corporate markets where prices declined last week by between ⅞ and 1½ points.

Corporate new issues bave all but disappeared, reflecting the concern of corporate treasurers to stay short, given the current state of the credit and equity markets.

Over the next two weeks, before the Federal Open Market Committee meeting on the 26th and 27th, the performance nf the U.S. credit market is likely to be determined by a number of factors including the latest batch of economic statistics, the progress (or lack of lt) in the Congressional budget-cutting process and the banking and money-supply figures including the February M2 and M3 figures due out on Thursday.

The $1.5bn decline in M1 announced last Thursday was smaller than expected and leaves the basic money measure about $2bn below the top of the Fed's 1984 growth target of 4-8 per cent.

However, the market, and probably the Fed, is more concerned about the current pace of the economic recovery itself. With further evidence of a sharp upturn in busines spending, Mr Volcker last week described economic activity as "very strong"—a view which was underlined hy a further pronounced decline in the unemployment rate to 7.8 per cent.

This week's statistical offerings include February retail sale figures tomorrow, January consumer credit figures on Wednesdey, industrial production and factory ntilisation figures on Thursday and February housing starts and the Producer Price Index on Friday.

Paul Taylor

U.S. INTEREST RATES (%)

	Week to Mar 9	Week to Mar 2
Fed funds weekly average	9.74	9.62
3-month CDs	9.88	8.78
3-month T-bills	9.36	9.14
30-year Treasury bond	12.35	12.09
AAA Utility	13.25	13.00
AA Industrial	13.13	12.88

Source: Salomon Bros. (estimates). In this week ended February 27 M1 fell by $1.5bn to $533.3bn.

Brostroms fights to stay afloat as losses soar

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

BROSTRÖMS, the troubled Swedish shipping group which is fighting to stave off financial collapse, ran up further losses last year of SKr 382m ($49m), before tax and allocations, compared with SKr 86m in 1982.

The group is in the midst of negotiations with the state, the banks, and its shareholders over a far-reaching financial rescue plan which would lead to lts liner services being taken over by Transatlantic, tha rival Gothenburg - based shipping concern.

Its liner services are concentrated on North America, the Far East and the Mediterranean. It is one of the Swedish members of the Atlantic Container Line (ACL), which also includes Cunard of the UK, Compagnie Generale Maritime of France, and Transatlantic.

Brostroms bas run up losses of close to SKr 2bn in the last nine years and last earned a profit in 1974.

It bas already been forced to sell off the one profitable part of its operations, lts marine service divsion whlch includes salvage, diving and towage, tn its main shareholdars, the Asken and Investor investment companies.

Its fate hangs on the Swedish Government, bowever, which has been asked for loan write-offs and other actions amounting to around SKr 700m to rescue the debt-laden group.

Brostroms' results for 1983 were also burdened by a SKr 151m write-down erising from its withdrawal last month from Hoverspeed, the beavily loss-making cross-channel bovercraft service whicb lt nperated wlth British Rail.

Last year's losses were cut by SKr 45m through the sale of several ships and were further reduced by other asset sales and by the de-consolidation of Incotrans, the loss-making Dutcb affiliate, in which it has reduced its interest from 93 to 50 per cent.

Yet net losses last year for the group still totalled SKr 263m, compared with SKr 100m a year earlier.

Club Mediterranee ahead

BY DAVID MARSH IN PARIS

CLUB MEDITERRANEE, the leading French holiday operator boosted consolidated profits by 22 per cent to FFr 212.6m ($27m) in the year to October despite a drop in French tourism ahroad. Turnover rose 13.9 per cent to FFr 4.5bn.

The company, has diversified considerably into the North American boliday market in recent years and profited last year from the strength of the dollar against the franc. The jump in profits came despite spending restrictions on French holidaying abroad which lasted between April and December and was part of the Government's austerity policies.

The number of days spent by guests in the club'e villages and hotels dropped last year, only the second significant fall since it was founded in 1950. But the company seems tn have profited from efficient financial management and its quality image among Frencb tourists.

CRA buys big stake in Kloeckner subsidiary

By James Buchan in Bonn

CRA, the Australian mining and metals group, has deepened its involvement with Kloeckner-Werke, the West German steel concern, by taking a major stake in lts Bavarian subsidiary, the Maximilianhuette (Maxhuette) steelworks.

Although, CRA has no steel-making capacity for its home market at present, lt entered e technology-sharing agreement with Kloeckner in 1981 and last year guaranteed a DM 100m ($39m) issue of convertihle loan stock

By taking over what is believed to be around half of Maxhuette, CRA has opened the way for the steelworks to receive an additional qnota from the European Commission for lts steel sections. Hitherto, Maxhuette (1982-83 sales: DM 1.45bn), received its quotas under the European Community crisis scheme by way of its majority shareholder, Kloeckner- Werke, which has been in deep dispute with the commission over prodnction quotas for its north German works.

Intel recruits AMD to meet chip demand

BY LOUISE KEHOE IN SAN FRANCISCO

A CHRONIC shortage of the micro processor chips used to make personal computers has pushed Intel into making swift arrangements for an alternative supply of its most popular micro chip.

On Friday, Intel announced that it has completed the transfer of manufacturing data for its newest micro processor, the 80186, to Advanced Micro Devices. AMD expects to begin volume production of the Intel-designed chip by the fourth quarter nf this year. The arrangement should help to relieve supply prohlems for several major compnter makers, according to both companies.

Intel is doubling its output of the chips each quarter, said Mr David Hnuse, vice-president and general manager of Intel's micro computers gronp. Demand for the new micro during its first 12 months of production, ending June 1984, will be 10 times that for any previous Intel micro processor, said Mr House.

The 80186 is in heavy demand because it can be used to build personal computers compatible with the IBM PC but which offer speed and cost advantages.

The 80186 combines in one chip all of the functions of the earlier Intel micro processors used by IBM with those of about 20 other peripberal chips.

Intel has been able to meet only ebout 25 per cent of the orders it has received for the chip to date. The shortage has put pressure npon Intel customers, Mr House acknowledges. Tandy Corporation has been unable to ship its new micro computer, and Convergent Technologies has fallen behind with deliveries of a new workstation because it has been unable to get enough Intel micro processors.

Although Intel claims that it is scrupulously fair in its allocation of parts to different customers, some personal computer makers are worried that IBM, whicb increased its etake in Intel to 18.8 per cent last week, may receive preferential treatment. The Intel-AMD agreement will do much to calm their fears.

Separately last week, Intel is reported to have signed an egreement with Commodore, the personal computer company, to allow that company to make its own Intel micro processor.

INTERNATIONAL APPOINTMENTS

New chief for Colgate Palmolive

● COLGATE-PALMOLIVE CO. chairman and chief executive Mr Kelth Crane plans to give up his title as chief executiva et the May 3 annual meeting. The board plans to name Mr Mark Reuben, currently president and chief operating officer, to succeed Mr Crane as chief executive. Mr Reuben will remain president and the board plans to re-elect Mr Crane as chairman. The company bas not said whether lt would eppoint a new chief operating officer. Mr William S. Shanahan and Mr J. Dale Sherratt, currently vice-presidents, will both be promoted to senior executive vice-presidents—chief of operations.

● Mr Anthmy Bond, PEAT MARWICK MITCHELL AND CO's senior partner in Bahrain, is returning to the London office as senior manager. Mr Neil Darie will be taking over the Bahrain office, and Mr Nigel Mayles will be coming out from London as his number two.

● Mr Hassan All Juma has been appointed general manager of the NATIONAL BANK OF BAHRAIN from March 26, in successlon to Mr Nooruddin Abdulle Nooruddin, wbo is resigning to stand for election to the board. Mr Juma bas been deputy general manager since April 1981. Before joining NBB in 1979 he was with Chase Manhattan Bank in Bahrain.

● Mr Russell J. Bainton, QC, bas joined the board of CONSOLIDATED PETROLEUM AUSTRALIA, part of the Hartogen Group. He is on the board of other Hartogen subsidiaries—Martogen Energy, Genoa Oil and Oil Investments.

● Mr Larry L. Dildine, former deputy director for domestic taxation in the Treasury Department's office of tax analysis, bas joined the PRICE WATERHOUSE office of government services as director of tax economics. He will be responsible for conduction economic studies for cllents and providing analysis of legisletive tax proposals and policies.

● Mr Malcoim T. Stamper, president of The Boeing Company has been elected to the CHRYSLER board. He joined Boeing in 1962, after 14 years with General Motors.

● Mr William A. Fickling Jr., cbairman of Charter Medical Corpn., and Mr Harold H. Hall, president of Norfolk Southern Corpn., bave been nominated to tha board of CITIZENS AND SOUTHERN GEORGIA CORPN and THE CITIZENS AND SOUTHERN NATIONAL BANK.

● Mr Claes Hultman bas been appointed president of ASEA Industrial Systems Inc, Wisconsin, U.S. Mr Jan Hörnfeldt, vice-president, ASEA Industry, Västerås, has been appointed managing director of ASEA's Spanish subsidiary, ASEA Sahadell, in succession to Mr Hultman. Mr Allan Huldt has been appointed managing director of ASEA'a Belgian subsidiery, ASEA SA, Brussels. He was bead of the division for motors, systems and equipment et ASEA's French subsidiary, ASEA SA, Persan. He succeeds Mr Lars Jarskog, wbo is leaving the group.

● Mr John Jessop has been elected to the board of TELERATE INC. Mr Jessop will also ba responsible for the administration and marketing of the Telerate service in Europe, the Middle East and Africa. Mr Jessop will assume the title of managing director of the newly-formed UK operating subsidiary of the AP-Dow Jones/Telerate Company, a U.S. partnership recently formed by the Associated Press, Dow Jones and Co and Telerate Inc. Since 1982 Mr Jessop has heen senior vice-president, marketing.

● ST REGIS CORP has elected Mr Gert E. Schumann senior vice-president, international operations. He has been vice-president, international operations since 1982.

● Captain Walter M. Schirra, former astronaut, has been elected to tbe board of KIMBERLY-CLARK CORP. His current directorships include Rocky Mountain Airlines, Electromedics Corp and Watt Count Marketing.

● Mr Carl Reuterskiold has been eppointed to the newly created position of president of the Brussels-based SOCIETY FOR INTERBANK FINANCIAL TELECOMMUNICATIONS (SWIFT). He is succeeded as general manager and chief executive officer by Mr Bessel Kok.

● Mr Robert J. Hingre has been appointed president of the newly designated MDS Herkimer division of MOHAWK DATA SCIENCES CORP and has also been elected a senior vice president of MDS. He was vice-president Herkimer manufacturing.

● Mr Stephen T. Hopkins has been named regional vice president for the FEDERAL HOME LOAN MORTGAGE CORP'S (Freddie Mac) north central office, located in Chicago. Mr Hopkins manages the underwriting, processing, and servicing of mortgages Freddie Mac buys from primary mortgage lenders in the nine states covered by the north central region.

● Mr Paul G. Simpson has been appointed international executive partner of ERNST & WHINNEY INTERNATIONAL. Mr Simpson most recently served tha company at its office in Brussels. He succeeds Mr LeRoy J. Herbert who is retiring.

● Mr Martin R. Shugrue Jr, senior vice-president marketing at PAN AMERICAN WORLD AIRWAYS, has been elected to Pan Am's board of directors. He was senior vice-president-administration before becoming senior vice-president-marketing last November.

● Mr Glenn L. Hickerson has been named vice-president-commercial marketing-Europe, Africa and Middle East for the Douglas Aircraft Co division of McDONNELL DOUGLAS CORP. Mr Hickerson has been in a number of key commercial marketing positions with Lockheed Corp, the latest that of vice-president-international sales.

● Mr Peter J. Metres has been appointed division president of the newly-formed turbodyne division of McGRAW-EDISON. The division, based in Wellsville, New York, had previously been the steam turbine operation of the Worthington division of McGraw-Edison.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	97	97½	−0¼	−1¾	12.24
Australia Com. 11¾ 90	100	99¼	99¾	−0¼	−0⅞	11.36
Australia Com. 11½ 95	300	94½	95¼	−0⅜	−1⅝	12.31
Australia Com. 11⅝ 98	100	95	95½	−0⅜	−1½	12.32
Australian I. Dv. 11 89	75	96¾	96¾	−0⅞	−1	11.97
Bank of Tokyo 11⅞ 90	100	96¼	96½	−0¼	−1¼	12.65
Beneficial O/S F. 12 91	100	94⅞	96¼	0	−1¾	13.10
Britoil Fin. 11⅞ 90	125	97	97½	−0⅛	−1½	12.47
Canada 10⅞ 88	500	97⅞	97⅞	−0⅛	−0⅞	11.53
CCCE 12¼ 95	75	96⅞	97⅜	−0⅛	−1⅜	13.09
Citicorp O/S 10⅞ 90	100	90⅛	90⅝	0	−0⅞	12.89
Citicorp O/S 11¾ 90	100	96⅛	96⅝	−0⅛	−1¼	12.55
ONC 11¾ 91 WW	50	94⅞	95⅜	+0⅛	−0⅞	12.84
ONC 11¾ 91 XW	50	94⅛	94⅝	+0⅛	−0⅞	13.02
Denmark Kgdm. 12¼ 93	100	97⅛	97⅝	−0⅛	−1⅛	12.66
ECSC 11⅞ 90	75	97⅞	97⅞	−0⅛	−1⅛	12.40
EDC 11⅛ 89	150	94⅞	95¼	−0⅛	−1⅝	12.50
EEC 12 93	50	97⅞	98⅛	−0⅛	−1	12.34
EIB 11⅝ 90	200	94⅞	95⅛	−0⅛	−1⅛	12.58
Eksportfinans 11⅛ 90	100	94⅞	95	0	−1⅛	12.68
Gen. El. Cr. 11 91 WW	200	96⅛	95⅞	−0⅛	−1⅛	12.01
GMAC O/S Fin. 11⅞ 90	100	96⅞	97⅜	−0⅛	−1½	12.03
IC Indust. Fin. 11⅝ 88	75	95⅞	96⅜	−0⅛	−0⅞	12.48
Ind. Bk. Japan 11⅞ 89	125	96⅛	96⅝	−0⅛	−1⅛	12.82
Ind. Bk. Japan 11⅞ 91	100	95⅞	96⅜	−0⅛	−2	12.69
ITT Finan. 11⅛ 88 WW	125	98⅛	98⅝	0	−0⅞	11.84
J. C. Penney 11⅞ 90	100	96⅞	97⅜	−0⅛	−1⅛	12.53
J. P. Mrgn. 11⅛ 90 WW	150	96⅞	97	−0⅛	−1	12.09
LTCB 10⅜ 90	100	91⅛	91⅝	−0⅛	−1⅛	12.82
LTCB 12½ 90	85	99⅛	100	−0⅛	−1⅛	12.52
Macy O/S 11⅞ 91	100	96⅞	97⅜	−0⅛	−1⅛	12.41
Mitsui Trust Fin. 12 91	100	96	96⅛	−0⅛	−1⅛	12.64
Nippon Credit 11⅞ 90	100	95⅞	96⅜	−0⅛	−1⅛	12.79
Nippon Tele. 11⅜ 90	100	97⅛	97⅝	−0⅛	−1⅛	12.01
Norwest O/S 12⅛ 91	50	96⅛	96⅝	0	−0⅞	12.91
Nova Scotia Pr. 11⅜ 81	100	95⅛	96	0	−0⅞	12.70
Ontario Hydro 11⅝ 94	200	93⅞	94⅛	−0⅛	−1⅛	12.71
Ontario Hydro 11⅜ 90	200	97⅛	97⅝	−0⅛	−1⅛	12.26
Pacific Gas & El. 12 81	75	99	99⅛	−0⅛	−1⅛	12.12
PK Banken 12 90 WW	75	95⅛	96	0	−0⅞	12.95
Prudential 10⅜ 93 WW	150	†92⅞	92⅞	−0⅛	−1	11.44
Prudential 10⅜ 93 XW	150	88	88⅜	+0⅛	−1	12.23
Quebec Hydro 11½ 92	100	†96⅞	97⅛	−1½	−1⅛	12.07
Quebec Prov. 12¼ 94	150	96⅞	98⅛	−0⅛	−0⅞	12.91
Royal Bk. Can. 11⅛ 89	100	96⅛	96⅝	−0⅛	−1	12.48
Rural & Ind. Bk. 12 81	50	95⅞	96⅛	0	−1⅛	12.67
Sears O/S Fin. 11⅜ 86	50	†95⅞	96⅛	0	−0⅛	12.41
Sears O/S Fin. 11½ 88	125	99⅛	99⅝	0	−0⅛	11.64
Sears O/S Fin. 11½ 91	150	96	96⅛	−0⅛	−1⅛	12.46
Sears O/S Fin. 11⅝ 93	150	96⅛	97	−0⅛	−1	12.19
S. Pac. O/S F. 11⅞ 89	75	†95⅛	96	−0⅛	−0⅛	12.53
Sec. Pac. O/S F. 12 92	100	96⅛	96⅝	−0⅛	−1⅛	12.72
SEK 11⅛ 88	100	96⅛	96⅝	+0⅛	−0⅛	12.66
Texaco Capital 10⅞ 93	200	90⅞	91⅞	−0⅛	−2⅛	12.08
Takai Asia 12⅛ 91	100	97⅛	97⅞	−0⅛	−1⅛	12.77
World Bank 11⅛ 88	100	96⅞	97⅜	0	−1	12.08
World Bank 11⅛ 90	200	93⅞	94⅜	−0⅛	−1⅛	12.50
World Bank 11½ 96	200	95⅞	96⅛	0	−1	12.46
World Bank 11½ 90	150	95	95½	−0⅛	−1⅛	12.59
World Bank 12 93	200	97⅞	98⅛	−0⅛	−1⅛	12.34
Shikoku Elec. Pwr. 8 91	100	†102⅛	103	+0⅛	+0⅛	5.55
Soc. Lux. Cnt. 5¾ 93	100	100⅛	100½	+0⅛	+0⅛	5.70
Sumitomo Hvy. I. 6 91	100	†101½	101⅞	n	0	5.74
Tahoku El. Pwr. 5¾ 92	100	*199⅛	100	+0⅛	n	5.77
Trizec Corpn. 6⅛ 93	100	100⅞	101⅛	+0⅛	−0⅛	5.98
World Bank 5¾ 94	200	99⅛	99½	+0⅛	+0⅛	5.83

Average price changes... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	99⅛	99⅝	+0⅛	−0⅛	7.57
Amca Intl. 8⅛ 91	100	100⅛	100⅝	+0⅛	0	8.15
ANAS 8½ 91	150	101⅛	101⅝	0	+0⅛	8.16
Asian Dev. Bk. 8½ 93	200	102⅛	103⅛	+0⅛	+0⅛	8.07
Barclays O/S 8⅛ 98	250	102	102⅛	0	0	7.85
Baxter Travenol 7⅛ 94	200	97⅞	98⅞	−0⅛	−0⅛	7.52
Credit Nacional 8⅛ 94	200	101	101⅛	−0⅛	−0⅛	7.92
Degussa Int. Fin. 7½ 94	100	100⅛	101⅛	0	+0⅛	7.35
EEC 8 92	200	101½	102⅛	−0⅛	0	7.63
EIB 8 91	250	102⅛	102⅝	−0⅛	+0⅛	7.57
Eurocarat 8⅛ 93	150	102	102⅛	+0⅛	−0⅛	7.90
Finland Rep. 8 90	150	102⅛	102⅝	+0⅛	−0⅛	7.52
IADB 8⅛ 93	150	101⅛	101⅞	−0⅛	+0⅛	7.59
Int. Standard Ele. 7½ 90	150	102⅛	102⅝	−0⅛	+0⅛	6.87
Ireland 8⅛ 91	150	101⅛	102⅛	0	+0⅛	8.20
Megal Fin. 8⅛ 94	150	100⅛	100⅝	+0⅛	0	8.17
OKB 7⅛ 88	100	99⅞	100⅛	0	−0⅛	7.45
Pepsico O/S Fin. 7⅛ 94	250	98⅞	99⅛	+0⅛	−0⅛	7.36
Reynolds O/S F. 7½ 94	125	100⅛	100⅝	+0⅛	0	7.42
Sth. Africa Rep. 8½ 91	200	102⅛	102⅞	−0⅛	+0⅛	8.02
SNCF 8⅛ 93	100	101⅞	102⅛	+0⅛	+0⅛	7.80
Veba Int. F. 4 93 WW	300	125⅞	126⅛	−3⅛	−4⅛	1.14
Veba Int. F. 4 93 XW	300	78⅛	79	−0⅛	−0⅛	7.08
World Bank 7⅛ 89	100	101⅛	102	−0⅛	−0⅛	7.34
World Bank 8 93	300	101⅛	102⅛	−0⅛	+0⅛	7.69
World Bank 8 94	200	101½	102	0	−0⅛	7.74

Average price changes... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6 94	100	101⅛	101½	0	+0⅛	5.01
Austria Republic 5¾ 94	100	98⅛	99⅛	0	+0⅛	5.58
EEC 6 93	100	101⅛	101⅛	−0⅛	+0⅛	5.80
Elec. Power Dev. 5¾ 93	100	†100⅛	101	−0⅛	+0⅛	5.50
Europarat 6⅛ 93	100	101⅛	101½	+0⅛	+0⅛	5.93
Finland Republic 5¾ 94	100	99⅛	99⅛	−0⅛	+0⅛	5.85
Int.-Am. Dev. Bk. 6 93	100	100	100⅛	+0⅛	+0⅛	5.99
Ireland 6⅛ 93	80	102½	102⅛	+0⅛	+0⅛	6.13
Japan Dev. Bank 5½ 94	100	*†100⅛	101	+0⅛	+0⅛	5.40
Jap. Highway P. 5⅛ 81	100	101⅛	101⅛	−0⅛	−0⅛	5.38
Manitoba Prov. 5⅞ 93	100	101⅛	102	−0⅛	0	6.24
Mont Blanc Tunl. 6⅛ 93	35	†102½	104	0	+0⅛	6.85
Mt. Bk. Denmark 6⅛ 81	80	102½	102⅛	+0⅛	−0⅛	6.81
New Brunswick 5⅞ 93	100	102⅛	103	+0⅛	+0⅛	5.36
Newscorp 5⅛ 94	175	101½	101⅛	+0⅛	+0⅛	5.02
Nippon Express 5⅞ 94	100	99⅛	99⅛	+0⅛	+0⅛	5.98
Nippon Tel. & T. 5⅞ 93	100	102	102⅛	0	+0⅛	5.33
Nip. Yusen K. K. 5⅞ 92	100	99⅛	100	−0⅛	+0⅛	5.77
Quebec Province 5⅛ 93	100	101	101⅛	−0⅛	0	5.47

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 7⅛ 94	16	99⅛	99⅞	0	+0⅛	7.43
Australia 8⅛ 92	15	107⅛	108⅛	n	+0⅛	7.38
Int.-Am. Dv. Bk. 7⅛ 93	15	102	102½	0	+0⅛	7.53
New Zealand 7⅛ 89	15	103⅛	104⅛	0	+0⅛	6.72
World Bank 7⅞ 93	20	102⅛	102⅛	+0⅛	+0⅛	7.25

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Br. Col. Hyd. 12 93 C$	125	98⅛	97⅛	−0⅛	−0⅛	12.53
Br. Col. Tel. 12⅛ 96 C$	70	98⅛	98⅛	0	−0⅛	12.46
Canadn. Oc. 12⅛ 89 C$	60	†98⅛	98⅛	−0⅛	−0⅛	12.60
EIB 12⅛ 91 C$	80	†97⅛	98⅛	−0⅛	−0⅛	12.49
Loblaw 12⅛ 90 C$	35	†97⅛	98⅛	0	−0⅛	12.90
Montreal City 12 90 C$	50	†97⅛	98⅛	−0⅛	−0⅛	12.42
World Bank 12⅛ 90 C$	75	†98⅛	99⅛	−0⅛	−0⅛	12.33
Cie Bancaire 11 90 ECU	37	99⅛	100⅛	−0⅛	−0⅛	11.03
WestLB F. 10⅞ 91 ECU	50	†99⅛	100⅛	+0⅛	−0⅛	10.89
Amro Bank 8⅛ 88 Fl	100	102⅛	103⅛	−0⅛	0	7.93
Bk. Mees & H. 8⅛ 88 Fl	100	99⅛	99⅛	−0⅛	−0⅛	8.36
Int. Stand. El. 8½ 86 Fl	100	101⅛	102⅛	0	+0⅛	7.99
Ned. Middnsbk. 9 88 Fl	100	103⅛	103⅛	+0⅛	+0⅛	8.08
PHP 8⅛ 89 Fl	75	99⅛	100⅛	+0⅛	0	8.25
Rabobank 8 88 Fl	100	103⅛	104⅛	−0⅛	+0⅛	7.94
OKB 14 86 FFr	400	100⅛	101⅛	0	−0⅛	13.19
Solvay et C. 14⅛ 86 FFr	200	101⅞	102⅛	n	−0⅛	13.32
BFCE 11⅛ 88 £	50	100⅛	101⅛	+0⅛	+0⅛	11.16
Ciba-Geigy Int. 6⅛ 93 £	25	101⅛	103⅛	0	+0⅛	6.41
Commerzbank 11⅛ 90 £	25	100⅛	100⅛	+0⅛	+0⅛	11.39
EEC 11⅛ 94 £	90	99⅛	100⅛	0	+0⅛	11.34
EEC 11⅞ 93 £	50	101⅛	102⅛	n	+0⅛	11.49
EIB 10⅛ 92 £	50	96⅛	96⅛	0	−0⅛	11.40
Fin. for Ind. 10⅛ 90 £	20	86	96⅛	0	+0⅛	11.36
Finland Rep. 11⅛ 88 £	50	102⅛	102⅛	+0⅛	+0⅛	11.13
III 10⅛ 93 £	25	96⅛	97⅛	+0⅛	+0⅛	11.25
III 11⅛ 91 WW £	50	†101	102	−0⅛	0	11.18
Int. Stand. El. 11⅛ 89 £	50	98⅛	99⅛	0	+0⅛	11.28
Norsk Hydro 12 90 £	30	104⅛	105	0	0	10.88
Sweden 11⅛ 93 £	50	98⅛	99⅛	0	+0⅛	11.42
Sw. Ex. Cred. 11⅞ 88 £	30	100⅛	101½	0	+0⅛	10.88
World Bank 11⅛ 88 £	100	100⅛	100⅞	0	+0⅛	10.90
Electrolux 10 88 LuxFr	500	97⅛	98⅛	0	−0⅛	10.63
Europarel 10⅛ 93 LuxFr	600	93	100	0	0	10.83

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5⅛ 95	0⅛	98⅛	98⅛	6/6	10.31	10.48
BBL Int. 5 99	0⅛	98⅞	99⅛	11/4	5	5.05
Banco di Roma 5⅛ 90	0⅛	99⅞	100⅛	7/8	10⅛	10.50
Barclays O/S I. S 2004	0⅛	99	99⅛	2/9	10.56	10.66
Belgium 5 2004	0⅛	99	99⅛	6/7	10.31	10.40
Bk. of New York 5⅛ 96	§0⅛	99	99⅛	12/4	10.06	10.14
Commerzbk. 5⅛ 88 XW	0	99	99⅛	21/5	10	10.09
Creditanstalt Bk. 5 96	0⅛	99⅞	99⅛	23/8	10½	10.61
Die Erste Oes. 5⅛ 92	0⅛	99⅛	99⅞	27/7	10⅛	10.39
Dresdner Fin. 5⅛ 89	0	99⅛	99⅞	23/5	10⅛	10.33
EAB Fin. 5 93	§0⅛	99⅛	100	20/6	10.68	10.70
Ferrovie Stato. 5⅛ 99	0⅛	99⅞	99⅛	31/6	10.69	10.80
First Interstate 5⅛ 99	§0⅛	99⅛	99⅞	6/6	10⅛	10.31
Fuji International 5⅛ 96	§0⅛	99⅛	99⅞	12/7	10⅛	10.31
Genfinance S 94	0⅛	99⅛	99⅞	19/7	10⅛	10.18
Grindleys Euro. 5⅛ 94	0⅛	99⅛	99⅞	1/8	10⅛	10.28
Kansallis Osake 5⅛ 92	0⅛	†99⅛	99⅞	1/8	10⅛	10.18
Mitsui Finance 5⅛ 96	0⅛	99⅛	99⅛	1/9	10.56	10.60
Nesta Oy 5⅛ 94	0⅛	99⅛	99⅞	23/8	10.56	10.63
Quebec Hydro 5⅛ 94	0⅛	99⅛	99⅞	16/7	10⅛	10.18
Banwa Int. Fin. 5⅛ 92	0	99⅞	99⅞	16/8	10.10	10.29
Spain 5⅛ 97	0⅛	99⅛	99⅞	23/8	10.56	10.71
Sumitomo 5⅛ 94	§0⅛	99⅛	99⅞	6/8	10⅛	10.19
Sweden 5⅛ 2003	§0⅛	99⅛	99⅞	17/8	10.18	10.21

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
BBC Bwn. Boveri 4⅛ 95	2/84	108	†100	101⅛	0	−3.90
Canon 7 97	7/82	680.2	215	218	−1	0.61
Daiwa Sec. Co. 5⅛ 98	10/93	481.8	†103	104	+2⅛	−5.44
Fanuc 3⅛ 98	1/84	8142	135⅛	136⅛	+1⅛	0.21
Nitachi Cable 5⅛ 96	2/82	916	141	142	+0⅛	−1.53
Honda Motor 5⅛ 98	6/83	884	110	120	−0⅛	0.61
Kanishiroku Ph. 4 98	10/83	673	99⅛	100⅛	+0⅛	0.11
Kyowa Hakko 6⅛ 97	2/83	762	131⅛	132⅛	−0⅛	9.75
Minebea Co. 5½ 98	5/83	887	110⅛	111⅛	−0⅛	−2.13
Mitsubishi Elec. 5⅛ 88	8/83	396	106⅛	107⅛	−0⅛	0.33
Mitsubishi Heavy 4⅛ 99	1/84	253	98⅛	99⅛	−0⅛	0.46
Murata 3⅛ 98	2/84	2809	132⅛	133⅛	−0⅛	−2.31
Nippon Oil Co. 2⅛ 98	3/84	1052	106	107	−1⅛	−3.44
Nippon Oil Co. 5⅛ 98	4/83	994	117	118	−0⅛	−3.78
Nissan Motor 5⅛ 99	4/83	700	105	106	−0⅛	−2.77
Olympus Optic. 6⅛ 97	12/82	1157	101	102⅛	+0⅛	8.51
One Pharm. Co. 3⅛ 98	3/84	3480	110⅛	112⅛	0	3.42
Orient Leasing 5⅛ 98	6/83	2880	139⅛	140⅛	+0⅛	−6.02
Secom 5 98	11/83	2920	190	191⅛	+0⅛	1.67
Yamaichi Sec. Co. 6 98	8/83	449.5	199	100⅛	0	−1.98
Yamanouchi Ph. 4 90	10/83	1808	86⅛	87⅛	+0⅛	25.38
Bridge Oil 4⅛ 93 SwFr	3/84	3.43	107⅛	108⅛	0	21.90
Nippon Air. 2⅛ 94 SwFr	2/84	354	98⅛	100⅛	−0⅛	−3.11
Toshiba 2⅛ 94 SwFr	1/84	391	100	110	+1⅛	0.06
Asics 6 92 DM	12/83	520	112⅛	113⅛	+1⅛	25.34
Sum Realty 8⅛ 92 DM	2/83	365	129⅛	130⅛	+4⅛	−4.18

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,332.4	14,133.5
Previous week	7,415.7	19,339.1
Other bonds		
Last week	1,519.6	1,144.7
Previous week	2,172.4	1,439.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banqua Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on March 9

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983-84 High	Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
‡‡	F.P.	—	42	14½	Aberfoyle Hldgs. 5p	38	+1	—	—	—	—
‡‡	F.P.	—	150	147	✠Brint Inv. £1	147	...	—	—	—	—
¶155	F.P.	—	182	165	Burmatex 10p	168	...	b5.0	1.9	4.5	17.4
¶95	F.P.	2.5	242	100	✠CML Microsystems 10p	240	...	b1.4	3.4	0.8	51.1
¶275	F.P.	2.5	340	271	Cable & Wireless 50p	325	...	h5.47	3.5	2.4	14.1
‡‡	F.P.	—	100	88	✠Crossprint Hldgs 10p	100	...	u0.7	7.7	1.0	14.5
§168	F.P.	—	177	174	✠Denmans Electrical	177	+3	4.5	3.9	2.8	11.5
‡‡	F.P.	—	120	110	✠Dewey Warren 10p	110	...	—	—	—	15.0
‡‡	F.P.	...	255	185	✠Gibbs Mew	185	...	4.6	1.6	3.6	24.2
§91	F.P.	24.2	100	94	✠GrosvenorSq.Pp. 10p	100	...	b5.0	2.3	7.1	7.4
**	F.P.	—	29	25	Hambros Inv. 7st. War.	26					
¶155	F.P.	—	91	83	✠Horne (Robert) 20p	88	−2	u2.46	3.5	4.0	10.0
	F.P.	—	86	78	Do. N/V 'A' 20p	85	...	u2.46	3.3	4.1	10.2
§35	F.P.	23.3	42	39	✠Kent (John) 5p	40	−1	bg1.23	9.2	4.4	14.0
‡‡	F.P.	19.3	105	83	✠LPA Inds. 10p	83	...	u2.45	2.5	4.2	15.3
§110	F.P.	3.4	156	129	Moreau Hldgs. 10p	152	−1	bg2.7	2.6	2.0	16.0
¶60	F.P.	4.4	77	69	✠Morgan Comm. 5p	75	...	bg1.85	1.7	3.5	24.0
§110	F.P.	23.3	200	160	✠NorbainElectro's 5p	185	−5	bd2.0	4.4	0.5	41.8
¶125	F.P.	12.4	197	140	Petranol 10p	191	+11	—	—	—	—
¶68	F.P.	—	70	64	✠Radio Clyde N.V.	69		5.0	1.4	6.2	16.1
**	F.P.	—	660	650	Reed Stenh'se Class A	650	−30	f0.50c	—	5.0	—
**	F.P.	—	670	630	Do. Class C	630	−40	f0.50c	—	5.2	
§25	F.P.	22.3	27½	25	✠Sangers Photo. 10p	26	...	bg1.25	1.0	6.9	11.6
	F.P.	—	84½	50	Shires Inv. Warrants	80		—	—	—	—
§105	F.P.	7.5	124	108	✠Umbond	114	...	b2.6	2.2	3.5	16.3
§60	F.P.	9.3	64	44	✠Xyllyx 10p	48	...	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983-84 High	Low	Stock	Closing price £	+ or −
97.918	£25	24.7	26	25	Asian Dev. Bk. 10⅞% Ln. 2009	26	+¼
**	F.P.	...	106p	105p	Baring Bros. 7¾% Cum. Prf. £1	105p	−½
97.072	£25	1.7	28¼	25¼	Brixton Est. 11½pc 1st Mort. Deb. 2023	27⅛	−¼
**	F.P.	30.3	111½p	108½p	Bulmer (H.P.) 8¾% 2nd Cum. Prf	110½p	−½
99.15	£25	22.6	30¼	24¾	Elf (U.K.) 12¾% Uns. Ln. '91	30⅛	.....
98.548	F.P.	5.4	99⅛	98	Grainger Tst. 11¾% 1st Mort. Deb 2024	99	
**	F.P.	—	108	102¼	Hanson Tst. 8% Cnv. Un. Ln. 2004-09	107½	+1
99.714	£30	26.4	34¼	30	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	34	+¼
95.711	£25	16.6	26⅛	24½	MEPC 10¾pc 1st. Mort. Deb. 2024	26¼	−⅛
¶101	£10	14.3	10¼	10¼	Mid Southern Wtr. 6¼% Red. Prf. 1991	10¼	—
...	F.P.	...	100⅛	100	Nationwide 10¼% Bds. 26.1.85	100	.....
...	F.P.	—	100⅛	100	Do. 10¼pc 10.2.85	100⅛	
97.80	£25	12.7	29⅞	25½	Province de Quebec 12¼% Ln. 2020	29⅜	−⅛
99.44	£25	13.4	29¾	26¼	Queens Moat 12% 1st Mort. Deb. 2013	29⅝	...
100	F.P.	—	100½	98¼	Rochdale Met. Bor. 11.10% Red. 2006	100¼	−¼
**	F.P.	27.4	103½	100¾	Scot. Northern Inv. Tst 11½% Cnv. Deb. 2009	103	¼
**	F.P.	30.3	107¾	101½	Slough Ests. 12% Uns. Ln. 2009	106	−¼
98.893	£50	21.3	34⅛	32⅞	Spain 12% Ln. 1989	33⅛	−⅛
98.30	£25	11.5	26¼	24⅞	TR City of London 11½pc Deb. 2014	25⅞	−⅛

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983-84 High	Low	Stock	Closing price p	+ or −
50	Nil	—	2pm	1½pm	✠Airship Inds. Units	1½pm	...
1030	Nil	—	200pm	128pm	Applied Computer 10p	145pm	+10
A$7.5	Nil	2.5	240pm	216pm	Broken Hill Prop.A$2	222pm	+6
...	F.P.	—	268	138	East Daggs Options	268	+25
60	Nil	12.3	7pm	4pm	✠Greenwich Cable Comm.	6pm	−1
275	F.P.	0.3	310	307	Higgs & Hill	310	+2
R.50	Nil	...	800pm	660pm	Liberty Life R.1	800pm	+50
107	F.P.	8.3	159	150	McCorquodale	155	+5
535	Nil	14.3	270pm	210pm	✠Micro Focus 10p	240pm	−5
185	Nil	19.3	25pm	21½pm	Newmarket 5c	25pm	.....
16	Nil	...	12pm	11pm	Sneafbank Property 10p	11pm	...
350	F.P.	30.2	394	368	Sketchley	368	−4

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend, cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ▮ Allotment letters (or fully-paid). ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. * Offered as units, comprising one ord and one N/V A ord. † Offered as units, comprising one Red. Prf. share of 1p and 55p of 12 per cent Conv. Ln. stk. 1988-90. ‡ No par value.

UK COMPANY NEWS

Scantronic for unlisted market

LATEST USM recruit is Scantronic Holdings, which makes electronic digital communications equipment for the intruder alarm industry. Following a placing of 1.6m shores by brokers de Zoete and Bevan ot 78p each raising a net £1.12m for the company, dealings will start on the USM next Thursday.

Scantronic was started by Mr Christopher Brookes and Mr David Linehain to undertake sub-contract work for major UK electronics companies and provide consultancy services to intruder alarm organisations in Scandinavia. Digital communications equipment was first marketed in 1980.

Last July Automated Security (Holdings) bought a 50 per cent interest in the company satisfied by a vendor placing of ASH shares for £fm. ASH's stake will now be reduced to 38.57 per cent.

The present management consists of Mr Tom Buffett, chairman of ASH, and Mr Peter Blenkinsop, also an ASH manager and managing director of Intruder Alarm Supplies, a distributor of Scantronics products. They are both non-executive directors.

One of the founders, Mr Lineham, has retired from active involvement due to ill health and is also now non-executive, leaving Mr Brookes, aged 27, as the sole executive director.

The money being raised through the placing of 22.86 per cent of the equity will be used to "take advantage of growth opportunities." This could include acquisitions.

In the years 1979-80 and 1980-81 Scantronic made total profits of just £30,000. The following year there was a small loss after the purchase of software code for £47,000. In the year to March '83 profits reached £283,000 and after a six month profit of £118,000 in last September the directors are now forecasting not less than £400,000 pre-tax for the year ending this month.

Based on the placing price the company is joining the market on an actual tax p/e of 19.4. Had the company been quoted for a year there would have been a net dividend of 1.6p a share indicating a yield of 2.9 per cent.

Powerline USM entry heavily oversubscribed

Powerline International, which provides tailor-made electronic power supplies, has made a high powered entry to the Unlisted Securities Market.

Its offer for sale of 3,443,782 shares of 5p at f60p each has been heavily oversubscribed. More than 67,000 applications were received for a total of 250m shares, 72 times the number of shares offered.

Powerline is valued at £17m at the offer for sale price, and the shares stand on a multiple of nearly 30 based on a forecast of pre-tax profits doubled to £1.2m for the current year.

Shares are being allocated on the following basis: applications for up to 100,000 shares will be put into a ballot for 8,145 allocations of 300 shares and one allocation of 262 shares; for applications of 120,000 shares or more, there will be a ballot for 20 allocations of 50,000 shares.

Merchant bankers Kleinwort, Benson, will post letters of acceptance next Tuesday

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—A & G Security Electronics, Murray Glendevon Investment Trust, Wolseley-Hughes.

Finals:—Akzo, Anglo American Industrial, Benson Clark, Cambridge Electronic Industries, Guernsey Atlantic Securities Trust, IMI, Metalrax, Pentos, Steetley

FUTURE DATES

Interims:—

Chambers and Fargus	March 15
Lawtex	March 14
Renishaw	April 5
Finals:—	
Atlantic Computers	March 26
Bidon	March 29
Camellia Investments	March 13
Canning (W.)	March 20
Collins (William)	March 22
Cookson	April 12
Grattan	March 15
HB Electronics	March 20
House of Lerose	March 15
Magnolia (Mouldings)	March 29
NMW Computers	March 27
New England Properties	March 20
Sedgwick	March 15
Tomatin Distillers	March 20
WW	March 21
Wolstenholme Rink	March 15

Monopolies Commission delivers its reports

THE MONOPOLIES Commission has delivered its reports on the proposed merger between Trafalgar House and Peninsular & Oriental Steam Navigation, and between GKN and AE, slightly ahead of schedule.

The Secretary for Trade and Industry, Mr Norman Tebbit, is expected to publish the Commission's findings and deliver his own verdicts shortly.

The most recent merger investigation by the Commission focused on the refractories divisions of Hepworth Ceramic and Steetley—a relatively small source of profit for each group—and blocked Hepworth's takeover ambitions in the light of the concentration of market share in this one particular area of common activity.

The proximity of detailed reports into Britain's merchant marine and its vehicle component industries may shed some light on developments in official policy on mergers and competition, particularly in an international context.

P & O has strongly resisted Trafalgar's attention from the outset although Trafalgar's attitude to a new bid, given clearance, has been ambivalent. Conversely, GKN seems determined to approach AE once again, if permitted. However, AE has shifted its ground during the course of the Monopolies inquiry, and intends to resist GKN.

Trafalgar coy about rejoining P & O battle

SHARES in Peninsular and Oriental Steam Navigation were standing at 164p when, in mid-May last year, Trafalgar House revealed that it had built up a near 5 per cent holding. The bid, when it came, valued P & O at £290m or 204p per share.

Almost 10 months further on, P & O is trading at 295p reflecting the belief in the City that Trafalgar House will come unseathed through an extended Monopolies Commission inquiry and, *equally* important, retains the will to come back for another shot.

Mr Nigel Broackes, the chairman of Trafalgar, has argued from the start that "the commercial fit and complementary nature of Trafalgar's and P & O's businesses are uncanny." Both companies have extensive interests in cruise shipping, the container trade (particularly between Australia and Europe), construction and oil.

The principal area of concern to the Commission is in shipping which accounts for perhaps 20 per cent of Trafalgar's assets and less than half P & O's assets. Each depends on dollar paying customers for the bulk of its cruise business. P & O's Princess Cruises subsidiary plies its trade from the West Coast of the U.S. and Trafalgar's flagship, the QE2, is best known for its transatlantic crossings.

Trafalgar's position throughout has been that it "can create an even more substantial British shipping group which will be more competitive with major foreign shipping companies."

P & O, led since the beginning of November by Mr Jeffrey Sterling, will argue that it can increase its returns and its investment in its fleet more effectively as an independent company. But the Government, faced with a seemingly inexorable decline in "Red Duster" tonnage, is not expected to block any move which promises to strengthen the competitive position of the mercantile marine. The stock market may be left to decide whether Trafalgar alone should fulfil that undertaking.

The Government, however, will be anxious to ensure that both fleets are available to the Ministry of Defence at a time of emergency. The Falklands campaign underlined the need to requisition substantial merchant tonnage for supply and transport and both Trafalgar and P & O contributed heavily to the war effort in the South Atlantic.

The authorities will presumably want assurances that Trafalgar's ships, many of which now fly a foreign flag, can be commandeered wherever and whenever required. Trafalgar has said that it has no plans to "flag-out" any P & O vessels.

Is Trafalgar still in the hunt? Mr Broackes is as enigmatic as any takeover strategist when it suits his purpose to take the steam out of his target's share price and has been noticeably coy about a new bid. Yet he can say with some justification that his management has many other tasks on its hand.

In the last few months, Trafalgar has acquired a valuable stake in the Forties field, paid more than £70m for Cunard, which increase still further its commitment to the energy sector, and finally tied up an agreement with Howard Doris to take on Scott Lithgow, the controversial Clydeside shipbuilding yard.

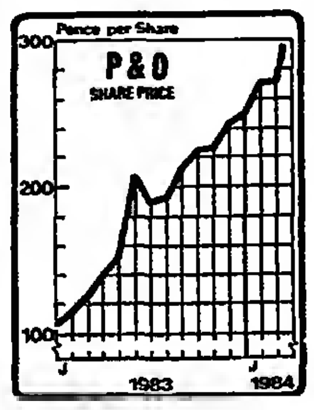
More by his City reputation and his own drive than any immediate management action, Mr Sterling's new position on the other side of the takeover fence has already made Trafalgar's decision that much more difficult. He has quickly signalled his determination to make P & O's assets work markedly harder and to take out those activities which no longer fit.

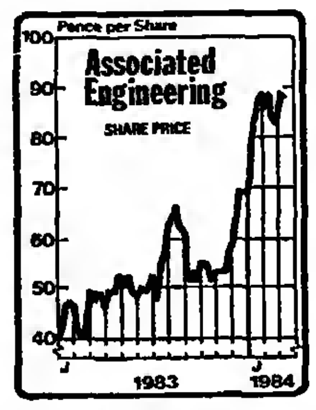
He says that his family and close friends believe he will be disappointed if Trafalgar backs away and they may very well be right.

It is easy to overplay the importance of personalities, pride and prestige which would be won or lost in a bid battle on this scale—if it starts. The interests of employees, shareholders and Britain's shipping fleet will dominate the outcome.

All the same it is obvious that neither chairman would for one moment contemplate the possibility of defeat.

Ray Maughan looks at two possible takeover contests in the shipping and vehicle components industries





AE now on its mettle against a renewed GKN bid

AE HAS changed its mind about a deal with GKN several times. It was AE which approached GKN in the first place about a link in the bearings and cylinder liners sub-sections of the engine component market, but baulked at the price GKN was prepared to offer when talks expanded to embrace a full takeover.

GKN took on all equity offer worth £50m, or about 50p per share, to AE's shareholders instead and finally extracted agreement from the AE board when it added £7m to the value of the deal last August.

That co-operation, however, was not destined to last the course of the Monopolies Commission inquiry which followed.

Like many other target companies which go before the Commission, AE has used the breathing space to show that the benefits of past rationalisation and reorganisation, coupled with a scattered upturn in several of its principal markets, are at last coming through to profits.

It made just £400,000 before tax in the year to September 1983 but has since said that it achieved £3m in the first quarter of the current year. The City believes that Mr John Collyear, AE's chairman, will be able to forecast at least £14m pre-tax this year

The forecast will only be required if GKN is cleared to make a new offer. The Office of Fair Trading referred last summer's bid because vehicle parts distributors were concerned about the impact of a merger which would have given the enlarged group about 90 per cent of UK "hard" engine components production.

This was a clear prima facie case for a detailed examination of all aspects of such a deal not least since GKN with AE would have an estimated 6 per cent of the parts distribution market itself and GKN made little secret of the need to cut back the *combined depot* and *branch* network.

The outcome of the investigation depends in large part on the extent to which the Commission is willing to look at vehicle components in an international framework.

The combined group would have about a fifth of the European market for pistons, piston rings and bearings, and if the Department of Trade and Industry's past policy is any guide, that should not create any obstacles.

The Government, after all, has supported the creation of a new company formed by Lucas Industries and Smiths Industries which has a 20 per cent share in the European car electronics components markets.

Mr Collyear sees things differently. In his view, major car manufacturers require dual sourcing on most products and as things stands, customers can go to both AE's Glacier Metal and GKN's Vandervell subsidiaries to obtain bearings and to AE's Wellworthy and GKN's Sheepbridge Stokes for cylinder liners.

Merge AE with GKN, his argument goes, and the second source in the UK is removed. In that case, Britain's share in the European components markets, notably in bearings, could fall

The counter view is that the vehicle assemblers and component manufacturers are developing close, long-term relationships and, in the words of Mr Ewan Fraser of the stockbroking firm James Capel, "there has been a tremendous tendency towards single sourcing."

He cites the case of BL which is already purchasing such components as wheels, batteries and certain friction materials from just one supplier.

And, like Mr Wyn Ellis, his opposite number at Savory Milln, he believes that GKN will be permitted to make a new bid.

The eventual price, however, must inevitably be considerably better than the 67p per share terms thrashed out last summer. AE shares are now 88p and Savory Milln believes that GKN may come back with a one-for-two exchange offer to value AE at about 107p per share.

The difficulties here are that GKN launched a heavy rights issue last year and, by bidding for AE at anything like its net worth of 140p per share will have reduced its scope to accommodate the ensuing rationalisation costs after the merger in the enlarged balance sheet. The offer last year, at such a wide discount to net assets, was extremely well timed, but AE is now very much on its mettle.

FINANCIAL TIMES STOCK INDICES

	Mar. 9	Mar. 8	Mar. 7	Mar. 6	Mar. 5	Mar. 2	1983-84 High	1983-84 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	83.14	83.10	83.35	83.31	83.25	83.12	83.77	77.00	127.4	49.18
Fixed Interest	87.14	87.12	86.97	86.91	86.91	86.81	87.47	78.03	150.4	50.53
Industrial Ord	840.9	837.7	835.4	841.6	832.6	838.9	841.6	598.4	841.6	49.4
Gold Mines	711.7	696.0	699.0	702.0	704.7	673.5	734.7	444.6	734.7	43.5
FT-Act. All-Share	501.35	500.06	500.70	502.55	499.01	501.40	504.73	382.22	504.73	61.92
FT-SE 100	1060.1	1055.3	1055.6	1064.5	1055.7	1060.7	1075.9	997.5	1075.9	997.5

F.T. Share Service

The following securities have been added to the Share Information Service:

Associated Energy Services (Section: Industrials)

Ulster Television (Leisure)

Closing prices March 9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20¾	10	AAR	.44	2.3	24	43	19½	19¼	19½	
52½	30½	ACF	1.40	3.0	588	54	47	46¾	47	+ ¼
22	16⅛	AMCA	n .1	.6	1	4	16⅝	d16½	16½	− ¼
18⅞	13⅞	AMF	.50	3.5		421	14⅛	d13⅞	14⅛	+ ⅛
41¼	23⅞	AMRCp			6	7584	30⅞	30	30⅛	− ½
20⅞	16⅞	AMR	pf2.18	12		z23	18½	18¼	18¼	− ½
41¼	27⅞	AMR	pf2.13	6.5		2999	33⅛	32¼	32½	− ⅞
23⅞	19½	ANR	pf2.12	10		2	21¼	21¼	21¼	− ⅛
16⅝	5⅛	APL			3	20	11	10⅞	10⅞	
55¼	40¼	ARA	2.05	4.8	0	124	43	42½	43	+ ¼
77¼	50¼	ASA	3a	4.4		802	68½	67⅞	67½	−1¼
33¼	14⅝	AVX	s .32	1.5	22	26	22¼	21¾	22	
53⅞	39⅞	AbtLab	1	2.5	14	1606	40⅜	40	40⅛	− ½
30¼	23¼	AccoW	n .60	2.3	17	10	25⅜	25⅛	25⅜	− ¼
27½	17⅛	AcmeC	.40	1.0		228	21¼	21	21¼	− ¼
13	6⅞	AcmeE	.32b	3.0	66	24	10⅝	10½	10½	
24⅞	11½	AdmDg	.04	.3	11	x289	14⅛	13⅞	13⅞	− ⅞
18⅜	15⅜	AdaEx	2.11e	13		53	16	15⅞	16	+ ½
19¼	7⅞	AdmMl	.28	1.5	9	9	18⅞	18⅛	18⅛	− ⅛
22	12⅛	AdvSys			14	85	16⅛	16	16	− ⅛
18⅞	8⅞	Advest	.12	1.1	10	107	11⅛	10⅞	11⅛	+ ⅛
37½	15½	AMD			34	2589	27⅞	27	27½	
24⅝	12½	Aerflx			14	3	14⅝	14⅝	14⅝	+ ⅛
43½	33¼	AetnLf	2.64	7.4	11	x5836	35⅞	35⅛	35⅞	
62⅞	55¼	AetL	pf5.28e	9.7		x348	55⅛	d54⅞	54⅞	− ⅛
40½	20	Ahmns	1.20	5.7	5	1561	22	20⅞	21⅛	− ⅞
7⅞	3	Aileen				89	4½	4⅛	4⅛	− ⅛
51	36½	AirPrd	1	2.5	11	77	39⅞	39½	39⅞	+ ¼
30⅞	19	AirbFrt	.60	2.6	15	2	23⅛	23¼	23¼	
3⅛	1⅛	AlMoa			38	207	3⅛	3	3⅛	
33½	29¼	AlaP	pfA3.92	13		10	30	29⅞	29⅞	
7⅞	6½	AlaP	dpf.87	13		18	6⅞	6⅞	6⅞	
74½	65⅞	AlaP	pf 9	13		z100	67¼	67	67	− ¼
70	60	AlaP	pf8.28	13		z1000	61½	61½	61½	−1
24½	16⅛	Alegsco	1.76	7.8	7	5	22½	22½	22½	− ⅛
18⅞	12½	AlskAir	.14	1.1	9	679	12⅞	12⅝	12⅞	
19⅞	13⅞	Alberto	.54	3.3	15	115	16⅛	16⅛	16⅛	− ⅛
30¼	21⅛	Albtsn	s .68	2.8	11	210	24½	24	24½	− ⅛
41⅞	29	Alcan	1.20	3.6	41	380	33⅛	32⅞	33	− ⅛
40⅛	27⅞	AlcoStd	1.19	3.6	11	227	32½	32⅛	32⅛	+ ⅛
27⅛	19⅛	AlexAlx	1	4.9		451	20⅝	19⅞	20⅛	+ ⅛

Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices March 9

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Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	11½	WyleLb	.24	1.3	17	89	17⅝	17⅛	17⅝	+⅛
17⅛	9	Wyly				56	9⅝	9⅛	9⅛	

X-Y-Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52⅞	38⅜	Xerox	3	7.5	9	1535	39⅜	39½	39⅜	
53⅝	47⅛	Xerox	pf5.40	11.		319	47⅞	d47½	47½	−⅛
37	21⅜	XTRA	.25		13	111	25⅜	25⅛	25⅜	−⅛
54	27⅞	ZaleCp	1.26	4.7	11	4	27	27	27	
25½	17⅞	ZalepIA	.80	3.9		2	20⅝	20⅝	20⅝	−⅛
21⅞	14⅛	Zapata	.64	3.2	10	1188	20½	19½	20	+½
52¼	31⅛	Zayre	s .30	.9	10	844	35½	34½	34⅝	−⅛
38⅝	15½	ZenithR			12	337	26⅝	26⅛	26⅛	−⅛
27⅞	19⅛	Zero	s .36	1.9	17	8	19⅝	19⅝	19⅝	
37⅞	22½	Zurnin	1.32	5.3	11	162	25⅛	24½	25⅛	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 *per cent or more has been paid, the year's high-low range and* dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. *s–stock split. Dividends begins with date of split. sls–sales.* t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by *such companies. wd–when distributed. wi–when issued.* ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER Nasdaq National Market closing prices

Closing prices March 9

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

CANADA

1983-84 High	Low	Stock	Mar. 9
30⅝	18⅞	AMCA Intl	20⅜
37½	18¼	Abitibi	25¼
20⅞	14⅛	Agnico Eagle	19⅞
31	17½	Alberta Energy	19
50¾	33⅛	Alcan Aluminium	41⅞
37½	24¾	Algoma Steel	25⅞
35⅜	25	Bank Montreal	26¾
13⅜	10⅝	Bank NovaScotia	15
53⅜	22⅛	Bell Canada	50⅝
12⅛	13¼	Bombardier	17
22⅜	15⅛	Bow Valley	24
27	20	BP Canada Res	32
41¾	12⅝	Brascan A	37¼
4.20	2.15	Brinco	2.50
14½	8¼	B.C. Forest	11⅛
33⅝	23⅛	CIL Inc	22¾
11¾	8	CadillacFairview	11¾
41⅛	66	Campbell Red Lk	37⅞
18⅛	12¼	Can. Cement Pf.	14¾
63¾	33⅛	Can. NW Energy	31
30	16⅛	Can. Packers	26⅜
50	30⅛	Can. Trustco	47
46	28¾	Can Imp. Bank	28⅞
53¼	35⅞	Can. Pacific	43⅛
25¾	18	Can. Pac. Ents	21⅝
13¾	10⅛	Can. Tire A	11⅞
27⅜	21½	Comfor	28¼
24¾	11⅜	Carling O'Kfe	30⅞
12⅛	14	Chieftain	18
64⅝	44¾	Cominco	58⅜
29	16	Cons. Bathst. A	26⅛
5.3	1.4	Copper Lake	5.00
10¾	6⅛	Costain	10

Continued on Page 25

NORWAY

1983/84 High	Low	Mar. 9	Price kroner
167	101.5	Bergens Bank	166
294	83	Borregaard	283
155	118.5	Christiania Bk.	156.5
175.5	117	Den Norsk Credit	165
160	37.5	Elkem	162.3
616	105	Norsk Data	267.5
507	272.5	Norsk Hydro	596
221.5	127.5	Storebrand	221.5

AUSTRALIA

1983/84 High	Low	Mar. 9	Price Aust. $
6.64	3.02	ANZ Group	6.5
1.79	0.75	Acrow Aust	1.6
1.18	0.61	Alliance Oil D.	0.81
2.10	1.23	Ampol Pet	1.74
1.94	1.06	Aust Cons Ind	1.78
3.1	6.00	Aust Guarant	2.65
2.90	6.07	Aust Nat Inds	2.38
2.60	1.79	Aust Paper	1.96
6.90	2.16	Bell Group	6.7

HONG KONG

1983/84 High	Low	Mar. 9	Price H.K.$
35.28	15.5	Bank East Asia	29.5
10.9	5.7	Cheung Kong	2.45
17.0	2.9	China Light	12.7
5.30	1.87	Hang Lung Devel.	8.16
64.6	28.9	Hang Seng Bank	45.75
6.95	4.4	HK Electric	6.9
4.70	2.47	HK Kowloon Wh.	4.32
6.00	8.25	HK Land	3.9
9.0	2.4	HK Shanghai Bk.	8.26
46	26.5	HK Telephone	46.5
16.2	8.00	Hutchison Wpa	15.5
15.1	7.9	Jardine Math.	13.1
5.90	2.00	New World Dev.	3.4
3.0	2.22	Orient O'seas	2.65
6.1	2.6	O'seas Trust Bk.	3.47
7.46	4.06	SHK Props	7
18.8	17.2	Swire Pac A	17.6
4.10	2.52	Wheel'K Mard A.	5.77
2.40	1.55	Wheel'k Maritime	8.00
2.5	1.55	World Int. Hldgs.	2.5

JAPAN

ITALY

NETHERLANDS

SWEDEN

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

GERMANY

SINGAPORE

SWITZERLAND

SOUTH AFRICA

SPAIN

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Mar. 9	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1983-84 High	1983-84 Low	Since Compil'tn High	Since Compil'tn Low
● Industr'ls	1139.76	1147.88	1145.65	1152.55	1166.20	1287.20 (29/11)	1027.04 (3/1/83)	1287.20 (29/11/83)	41.22 (2/7/32)
H'me Bnds	69.24	69.49	69.75	70.16	70.11	77.84 (6/5)	60.66 (3/4)	—	—
Transport	499.48	502.57	499.18	507.75	513.55	612.63 (9/1/84)	432.24 (3/1/83)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	126.92	126.97	126.88	127.94	128.81	140.70 (31/10)	118.61 (3/1/83)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000's	75,170	88,530	86,090	85,590	83,870	—	—	—	—

● Day's high 1149.29 (1156.46) low 1132.54 (1138.10)

	Mar. 2	Feb. 24	Feb. 17	Year ago (approx)
Industrial div. yield %	4.71	4.73	4.76	4.78

STANDARD AND POORS

	Mar. 9	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1983-84 High	1983-84 Low	Since Compil'n High	Since Compil'n Low
Industr'ls	174.88	175.95	174.29	176.24	178.25	194.84 (10/10)	154.95 (3/1/83)	194.84 (10/10/83)	3.62 (30/6/32)
Comp's'te	154.55	155.19	154.57	156.25	157.89	172.65 (10/10)	138.34 (3/1/83)	172.65 (10/10/83)	4.40 (1/6/32)

	Mar. 8	Feb. 29	Feb. 22	Year ago (approx)
Industrial div. yield %	4.09	4.01	4.08	4.24
Industrial P/E ratio	11.81	12.02	12.39	15.11
Long Gov. Bond yield	12.15	11.98	11.89	10.56

N.Y.S.E. ALL COMMON

Mar. 9	Mar. 8	Mar. 7	Mar. 6	1983-84 High	1983-84 Low
88.94	89.39	89.09	90.07	99.63 (10/10)	80.93 (24/1/83)

Rises and Falls	Mar. 9	Mar. 8	Mar. 7
Issues Traded	1,916	2,933	1,963
Rises	583	820	359
Falls	923	676	1,219
Unchanged	410	437	385
New Highs	—	9	8
New Lows	—	44	73

MONTREAL

	Mar. 9	Mar. 8	Mar. 7	Mar. 6	1983-84 High	1983-84 Low
Industrial	424.90	425.28	425.82	429.39	488.38 (26/9)	351.16 (4/1/83)
Combined	404.40	405.94	405.85	410.35	441.28 (26/8)	325.12 (4/1/83)
TORONTO Composite	2395.5	2400.1	2389.8	2425.1	2598.2 (26/9)	1946.9 (4/1/83)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gulf Oil	8,607,100	65⅞	−1⅞	Nwest Inds.	907,400	48xd	−1
ATT	1,590,800	17	−⅛	Philip Morris	861,500	64½xd	−2½
Super Oil	1,302,200	39⅝	+1⅞	Amer. Corp.	758,400	30½	−½
Mid-So. Utl.	1,084,400	13⅝	—	Texaco	754,000	38⅜	−¾
Citicorp	943,600	35⅞	−1⅛	Fin Cp Am	742,700	17⅞	+⅞

	Mar. 9	Mar. 8	Mar. 7	Mar. 6	1983/84 High	1983/84 Low
AUSTRALIA						
All Ord. (1/1/80)	718.5	718.5	725.0	736.2	787.8 (9/1/84)	497.8 (4/1/83)
Metals & Mins. (1/1/80)	485.8	494.0	500.2	510.0	614.2 (5/9)	411.5 (4/1/83)
AUSTRIA						
Credit Aktien (2/1/62)	56.32	56.34	55.45	55.58	58.8 (5/5)	48.48 (16/2/83)
BELGIUM						
Belgian SE (31/12/63)	142.01	142.15	143.66	143.61	140.35 (1/2/84)	108.59 (4/1/83)
DENMARK						
Copenhagen SE (3/1/83)	193.78	195.14	196.21	196.37	225.21 (20/1/84)	100.00 (3/1/83)
FRANCE						
CAC General (31/12/82)	161.10	160.7	161.7	162.9	176.1 (25/1/84)	96.1 (5/1/83)
Ind Tendance (30/12/83)	105.50	105.8	104.0	108.2	114.7 (25/1/84)	99.4 (5/1/84)
GERMANY						
FAZ-Aktien (31/12/58)	344.81	346.23	348.44	350.21	370.64 (2/2/84)	261.89 (25/1/83)
Commerzbank (1/12/53)	1011.10	1011.8	1015.0	1027.2	1096.5 (2/2/84)	727.9 (25/1/83)
HONG KONG						
Hang Seng Bank (31/7/64)	1084.40	1077.55	1081.44	1091.68	1134.12 (9/2/84)	690.08 (4/10)
ITALY						
Banca Comm Ital. (1972)	—	217.48	217.56	218.02	223.57 (6/1/84)	160.45 (10/1/83)
JAPAN**						
Nikkei Dow (16/5/49)	9987.22	9969.52	10021.2	10066.7	10235.7 (30/1/84)	7803.18 (25/1/83)
Tokyo SE New (4/1/68)	786.21	780.34	781.66	786.01	787.41 (5/3/84)	574.51 (25/1/83)
NETHERLANDS						
ANP-CBS General (1970)	161.8	160.7	161.5	160.8	178.8 (1/2/84)	100.1 (4/1/83)
ANP-CBS Indust (1970)	132.4	131.9	132.7	132.5	147.2 (1/2/84)	83.5 (4/1/83)
NORWAY						
Oslo SE (4/1/83)	250.14	250.60	253.64	254.90	254.90 (6/3/84)	99.01 (4/1/83)
SINGAPORE						
Straits Times (1966)	1021.21	1022.79	1025.17	1017.85	1071.81 (9/2/84)	712.29 (5/1/83)
SOUTH AFRICA						
Gold (1958)	1045.4	1035.2	1052.4	1045.8	1059.6 (1/2/83)	681.4 (1/11)
Industrial (1958)	1047.9	1056.2	1030.0	1025.7	1058.2 (8/3/84)	704.9 (3/1/83)
SPAIN						
Madrid SE (30/12/83)	118.88	119.29	120.17	120.40	120.40 (6/3/84)	105.00 (30/12/83)
SWEDEN						
Jacobson & P. (1/1/58)	1482.83	1486.48	1500.51	1516.48	1584.5 (2/3/84)	890.78 (5/1/83)
SWITZERLAND						
SwissBankCpn. (31/12/58)	362.2	362.8	364.1	366.9	388.7 (5/1/84)	294.4 (4/1/83)
WORLD						
Capital Intl. (1/1/70)	(u)	—	—	164.0	167.2 (20/1/84)	164.3 (3/1/83)

** Saturday March 3: Japan Nikkei-Dow 10,056.51. TSE 783.21.
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER – Nasdaq National Market

Stock | Sales (Hnds) | High | Low | Last | Chng

Continued from Page 24

N–N [illegible]

O–O [illegible]

P–Q [illegible]

R–R [illegible]

S–S [illegible]

T–T [illegible]

U–U [illegible]

V–V [illegible]

W–W [illegible]

X–Y–Z [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Insurances—continued

[illegible]

Offshore & Overseas—continued

[illegible]

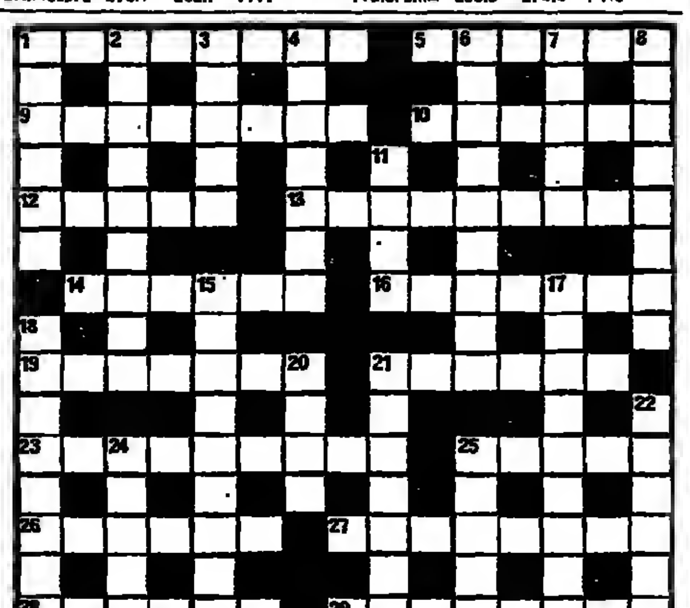
Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

F.T. CROSSWORD PUZZLE No. 5,364



ACROSS

1 Breaks surface of water off Abersoch (9)
5 Who's a pretty boy, then, up at university? (6)
9 Witch io the Kingstoo district? (3-5)
10 Gashed, having got runs (8)
12 Male singer noiseless, said Gray, to our forefathers (5)
13 Tense, as the third interval is? (9)
14 Sharp-eyed cootributor to offal-control (6)
16 Losiog at tennis, get unexpected rebuff . . . (3-4)
19 . . . as game's over, get some physiotherapy (7)
21 One to blah around, one who should not be broadcasting (6)
23 Chief deposits of north-west Scotland (9)
25 Clwyd town built entirely of impure quartz? (5)
26 Ply in a way parallel to the Thames (6)
27 High range of State 50, perhaps (8)
28 Carelessly-dressed fellow in translated novels (6)
29 Considered certain content of honey-wine (8)

DOWN

1 British bingo under the table 6)
2 Fresh Solent air for many races (9)
3 12, not 27, welcomed in their Stall? (5)
4 Niece, for example, losing her head in such high spirits (7)
6 One who hangs coloured ribbons, enhancing chests? (9)
7 Courage required to begin ride in glacial snow (5)
8 Keepiog under when composiog (9)
11 They provide the minerals for Pop on board (4)
15 Formerly, measure up in selection of new gear—difficult task . . . (9)
17 . . . I provide the gear abroad—more suitable? (9)
18 Prominence given to unfortunate mishap admitted by Essex openers (9)
20 N. Ireland river-eagle (4)
21 Extract of book by E. M. Forster? (7)
22 Textile ceotre in which Tudors came to grief (6)
24 Dress-riog of film-star (5)
25 English in agitation—they can get blown up (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.	248.57			
Managed Inv. Fd.	167.90	176.74		
Property Fd.	151.56	161.65		
Fixed Interest Fd.	149.37	157.23		
Cash Fd.	[illegible]	[illegible]		
Income Fd.	[illegible]	[illegible]		
Extra Income Fd.	[illegible]	[illegible]		
Worldwide Growth Fd.	222.77	[illegible]		
Balanced Fd.	[illegible]	[illegible]		
Smlr Co's & Recv. Fd.	[illegible]	[illegible]		
Int. Technology Fd.	[illegible]	[illegible]		
Nth. Amer. & Gen. Fd.	[illegible]	[illegible]		
Energy Int. Fd.	[illegible]	[illegible]		
Pacific Basin Fund	[illegible]	[illegible]		

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	[illegible]	125.4	+2.2	
Property	[illegible]	128.5	+0.9	
Equity	[illegible]	[illegible]	+1.4	
International	[illegible]	[illegible]	[illegible]	
Fixed Interest	[illegible]	[illegible]	[illegible]	
Deposit	101.6	[illegible]	[illegible]	
Managed Pen. Cap.	[illegible]	[illegible]	+2.7	
Property Pens. Cap.	[illegible]	[illegible]	+1.0	
Equity Pens. Cap.	[illegible]	[illegible]	+1.0	
Intnl. Pens. Cap.	[illegible]	[illegible]	[illegible]	
Fixed Int. Pens. Cap.	[illegible]	106.0	+0.7	
Deposit Pens. Cap.	[illegible]	[illegible]		

Canada Life Group
2-6, High St., Potters Bar, Herts. P Bar 51122

Equity Gth March 7	303.6			
Retmt. Fyd. Mar 6	[illegible]			
Managed Pen Fund	[illegible]	[illegible]		
Property Pen Fund	[illegible]	[illegible]		
Index Lnkd Pen Fund	[illegible]	[illegible]		
Managed	128.1	134.9	+0.1	
Property	[illegible]	[illegible]		
Gilt and Fixed Interest	[illegible]	[illegible]		
Index-Linked	[illegible]	[illegible]		
Equity	[illegible]	[illegible]	+0.7	
Cash	[illegible]	[illegible]		
Midland Br. Unit Tst.	[illegible]	[illegible]	+0.3	
Midland Bank Intnl.	[illegible]	[illegible]	+0.8	

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB. 01-902 8876

[illegible]

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	125.6	132.2	-0.9	
GT Pln High Yld Fnd	131.2	138.2		
GT Pln Far East Fnd	[illegible]	[illegible]	-1.2	
GT Pln N. Am Fd	137.6	[illegible]	-2.5	
GT Pln UK&G.E. Fnd	150.5	158.5	-0.1	
GT Pln Worldwide Fnd	[illegible]	[illegible]	-0.7	
GT Pension Bnd Fnd.	137.7	145.0	-1.3	
GT Pen High Yld Fd	[illegible]	[illegible]		
GT Pen Far East Fd	165.5	174.2	-1.6	
GT Pen N. Am. Fd	170.2	179.2	-5.7	
GT Pen UK & G.E. Fd	174.8	184.0		
GT Pen Worldwide Fd.	157.0	165.3	-0.8	

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	170.6	179.6		

General Portfolio Life Ins. PLC
Crossbrook St., Cheshunt, Herts. Waltham X 31471

Portfolio Fd. Acc.		240.6	+0.9	
Portfolio Fd. Inc.		211.8	+0.8	

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth 0202 767655

Managed Fd	[illegible]	[illegible]		
Money Fd	158.0	166.3		
Equity Fd.	[illegible]	245.1		
Fixed Int. Fd.	121.7	[illegible]		
Property Fd	176.2	[illegible]		
Managed Pen. Fd	[illegible]	[illegible]		
Equity Pension Fd	[illegible]	[illegible]		
Fixed Int. Pen. Fd	[illegible]	[illegible]		
High Yield Pen. Fd	[illegible]	[illegible]		
Money Pension Fd.	[illegible]	[illegible]		
Property Pension Fd	[illegible]	[illegible]		

Gresham/Fraudington

American & Gen Fd.	[illegible]	[illegible]	-1.0	
Income Fd	[illegible]	[illegible]	-0.4	
Int'l. Growth Fd.	[illegible]	[illegible]	-2.5	
Capital Fund	[illegible]	[illegible]	-0.3	
Recovery Fund	[illegible]	[illegible]	-0.3	
Japan & Gen Fd	[illegible]	[illegible]	-0.4	

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

[illegible]

Lloyds Life Assurance—cont.

[illegible]

London & Manchester Gp.

[illegible]

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

NOTES

[illegible]

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY—Continued

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		MCD Group	53	—	↓1.0	2.2	2.7	24.2
		For MMT Computing see Electricals						
June	Dec.	M.Y. Dart 10p	22½	12.10	20.25	—	1.3	—
May	Sept.	McCarthy Ps. 20p	148xd	27.2	7.0	2.8	6.8	0.5
Oct.	May	McFarlane Gp.	144	19.9	13.52	2.7	3.5	17.6
July	Nov.	Macellan 20p	37	1.10	d1.5	1.4	5.8	13.3
Aug.	Mar.	Macpherson (D.)	69	18.7	2.25	♦	4.7	♦
Oct.	Apr.	Magnolia Group	55	19.9	2.3	3.2	6.0	6.5
—		Mount Hldg. 10p	50	—	—	—	—	53.4
Apr.	Oct.	Man. Ship Can. £1	297xd	27.2	5.5	5.5	3.3	12.2
Oct.	Apr.	Marley	83	15.8	3.2	2.3	5.6	9.1
Feb.	Oct.	Marling Ind. 10p	46	22.12	↑1.08	1.7	3.4	(20)
Dec.	Jan.	Marshall L'ry. 'A'	36	4.10	1.2	—	[illegible]	—
Jan.	July	Marshall's Univ	62	[illegible]	B—	—	—	22.3
May	May	Martin-Black	30	5.79	—	—	—	—
—		Matthews 7¼%	£108	30.6	Q7¼%	2.9	7.2	—
Jan.	June	Metal Box £1	342	28.11	↑11.55	3.2	4.8	(8.4)
Nov.	June	Metal Closures	175	19.9	5.7	1.8	4.7	(11.0)
—		Metal Sonics 7p	20	—	—	—	—	—
April	Dec.	Metalrax Jewelpe	13	12.12	0.01	—	0.1	—
July	Jan.	Midland Mars	113	14.11	4.0	2.1	5.1	13.5
July	Dec.	Molben Gp 1p	23	19.9	↑0.19	25.4	1.2	5.7
Mar.	Oct.	M'stone 5pc 82-6	£185	13.2	Q5%	—	12.7	—
Jan.	July	Morgan Crucible	148	[illegible]	↑7.5	0.6	7.2	(32)
Jan.	Aug.	Moss (Robt.) 10p	90	[illegible]	↑2.0	2.4	5.2	16.6
May	Nov.	MMW Computers	227	[illegible]	4.0	4.0	2.5	14.1
Mar.	Sept.	Marsh Inds.	60	[illegible]	4.0	2.2	9.5	8.4
Oct.	April	Neil&Sp'ncer 10p	44	[illegible]	—	—	—	—
Oct.	Apr.	New Equip 10p	50	19.9	1.15	♦	5.4	♦
Aug.	Oct.	Nolton	58	[illegible]	1.0	2.9	2.5	20.4
Jan.	Aug.	Norcros	165	[illegible]	b7.0	2.3	6.1	9.9
Oct.	April	Nu-Swift 5p	65xd	[illegible]	2.14	1.5	4.7	20.9
Feb.	Aug.	Oakwood Grp.	98	[illegible]	d6.5	—	10.3	—
Jan.	June	Office & Elect.	180	17.10	7.5	2.8	6.0	8.4
May	Nov.	Orifame Intl SA	775	[illegible]	Q53c	♦	4.7	♦
Jan.	June	Ovenstone 12½c.	40	[illegible]	Q3½c	2.8	5.1	7.1
May	Nov.	Oxford Fin. Cv.	£132	13.10	Q9%	—	17.0	—
—		PCT Group 10p	180	—	b4.8	2.7	3.7	17.0
Apr.	Oct.	P. H. Industrials	92	14.11	↑5.0	2.0	7.8	7.4

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—continued

Australians

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	♥ACM 20c	16½	—	—	—	—
—	♥Allstate Expl. NL	34	—	—	—	—
—	♥Asia Oil & Mins.	4¼	—	—	—	—
—	♥Aust. Hydrocarbons NL	18	—	—	—	—
—	♥Australis Mng. NL	27	—	—	—	—
—	♥Balmoral Res	32	—	—	—	—
—	♥Black Hill Mins.	34	—	—	—	—
December	♥Bond Corp.	97	—	Q10c	0.7	7.0

Tins

Miscellaneous

NOTES

... issue. ‡ Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. n Dividend and yield exclude a special payment. l Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. n Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. n Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	76	.....	Fin. 13% 97/02	£91½	.....
Craig & Rose £1	900	.....	Alliance Gas	72	.....
Finlay Pkg. 5p	47	.....	Arnott	218	.....
Higsons Brew	118	−2	CPI Hldgs.	82	+1
Holt (Jos) 25p	890	.....	Carroll Inds.	120	.....
I.O.M. Stm. £1	134	.....	Hall (R. & H.)	59	.....
			Heiton Hldgs.	21	.....
			Irish Ropes	53	.....
IRISH			Jacob (W. & R.)	57	.....
Exch. 12% 1985	£99	−¼	T.M.G.	60	.....
Nat 9¾% 84/89	£87¾	−¼	Unidare	76	.....

For Bridgewater see Property

OPTIONS

3-month Call Rates

Industrials		Hawker Sidd	38	Vickers	14
Allied Lyons	15	House of Fraser	26	Woolworth Hld.	50
BOC Grp	27	I.C.I.	42		
B.S.R.	26	"Imps"	12	**Property**	
Babcock	17	I.C.L.	7½		
Barclays Bank	45	Ladbroke	23	Brit. Land	11
Beecham	32	Legal & Gen.	45	Cap. Counties	16
Blue Circle	40	Lex Service	40	Land Sec.	25
Boots	16	Lloyds Bank	50	MEPC	25
Bowaters	25	"Lofs"	3	Peachey	17
Brit. Aerospace	20	Lucas Inds.	18	Samuel Props.	11
B.A.T.	15	"Mams"	14	Sterling Guar.	4
Brown (J.)	3	Mrks. & Spncr	20		
Burton Ord.	22	Midland Bank	36	**Oils**	
Cadburys	22	N.E.I.	10		
Comm. Union	16	Nat. West. Bank	68	Bristol Oil & Min.	9
Courtaulds	11	P & O Dfd.	25	Brit. Petroleum	35
Debenhams	14	Plessey	20	Burmah Oil	17
Distillers	22	Racal Elect.	18	Charterhall	9
Dunlop	5	R.H.M.	8	Premier	6
F.N.F.C.	6¼	Rank Org. Ord.	24	Shell	55
Gen. Accident	42	Reed Intnl.	40	Tricentrol	28
Gen. Electric	16	Sears	8	Ultramar	60
Glaxo	78	T.I.	22		
Grand Met.	38	Tesco	16	**Mines**	
G.U.S. 'A'	55	Thorn EMI	55	Charter Cons.	24
Guardian	50	Trusthouse	18	Cons. Gold	58
G.K.N.	28	Turner & Newall	10	Lonrho	12
Hanson Tst.	17	Unilever	75	Rio T Zinc	60

"Recent Issues" and "Rights" Page 19

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rally peters out

BY COLIN MILLHAM

An attempt at a dollar rally petered out last week, mainly as a result of the currency's inability to hit certain critical points against the D-mark. There were very few economic statistics published likely to have any substantial influence on the dollar. Mr Martin Feldstein, chief economic adviser to President Reagan, and Mr Paul Volcker, chairman of the Federal Reserve Board, were both quite vocal, making several speeches involving the dollar, but the effect tended to be rather confused. Mr Feldstein's suggestion that the dollar could fall by up to 20 per cent this year initially helped to push the currency down to its lowest level since about the middle of last year, but his comment later in the week that economic growth could be as high as 6 per cent contributed to the attempted recovery.

Mr Volcker said little new, and continued to warn about the dangers of the very large trade and budget deficits. On the other hand his remarks about strong economic growth also helped to underpin the dollar.

The fact that the U.S. economy has grown faster at the beginning of the year than was expected was underlined by perhaps the most important economic statistic of the week, U.S. unemployment for February. This fell to 7.8 per cent from 8 per cent and coupled with other recent figures lent support to speculation that the Federal Open Market Committee meeting towards the end of the month will vote for a tightening of monetary policy. Any anticipation of higher interest rates was offset by fears that the advantage will be eroded by rising inflation, while the foreign exchange market also remained disenchanted with the dollar because of the budget and trade deficits. On Thursday in New York a partial dollar recovery stalled when the currency failed to return above the DM 2.60 level against the D-mark.

The yen rose to its highest level against the dollar for two years, with most of its gains coming at the beginning of the week as the yen moved to catch up with the recent strength shown by the D-mark, while the German currency remained in favour generally, helped by comments made by Count Otto Lambsdorff, West German Economics Minister, about a possible realignment of the European Monetary System.

£ in New York

	March 6	Prev. close
Spot	$1.4925-4635	$1.4640-4650
1 month	0.13-0.15 dis	0.12-0.16 dis
3 months	0.54-0.56 dis	0.55-0.59 dis
12 months	2.73-2.77 dis	2.80-2.90 dis

£ forward rates are quoted in U.S. cents discount.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.4805	1.4820	1.4860	1.4726	1.4890
D-Mark	3.77	3.7575	3.7375	3.7106	3.5631
French Franc	11.6125	11.6625	11.9725	12.0147	12.3627
Swiss Franc	3.12	3.1038	3.0750	3.0408	2.9755
Japanese Yen	327.5	326.9	325.4	323.2	319.6

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.6858	+1.75	+1.70	±1.5447
Danish Krone ...	6.14104	6.15934	+0.22	+0.17	±1.6425
German D-Mark	2.24184	2.23044	−6.51	−0.56	±1.0642
French Franc ...	6.87456	6.88029	+6.08	+6.03	±1.4052
Dutch Guilder ...	2.52595	2.51737	−0.34	−0.39	±1.4964
Irish Punt	0.72569	0.728762	+6.42	+6.37	±1.6699
Italian Lira	1403.49	1388.71	−1.05	−1.05	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	March 6	March 2		March 6	March 6
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.5033%	8.6056%
Total of applications	£464m	£609m	Average rate of discount	8.4709%	8.5909%
Total allocated	£100m	£100m	Average yield	9.05%	8.78%
Minimum accepted bid	£97.88	£97.855	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	31%	74%			

THE POUND SPOT AND FORWARD

March 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4560-1.4675	1.4600-1.4610	0.11-0.16c dis	−1.11	0.52-0.57dis	−1.49
Canada	1.8460-1.8915	1.8525-1.8535	0.19-0.26c dis	−1.36	0.60-0.70dis	−1.40
Nthlnd	4.22½-4.28¼	4.24¼-4.25¼	1⅛-⅞c pm	3.17	3⅛-2⅞pm	2.94
Belgium	76.50-77.55	77.05-77.15	31-41c dis	−5.60	86-96dis	−4.72
Denmark	13.69½-13.84¼	13.73¾-13.74¾	2-3⅞ore dis	−2.95	8⅞-9¾dis	−2.71
Ireland	1.2220-1.2360	1.2285-1.2295	0.31-0.45pm dis	−3.71	1.17-1.32dis	−4.06
W. Ger.	3.73¾-3.79¼	3.76½-3.77½	1⅛-⅞pf pm	3.58	3½-3pm	3.45
Portugal	189.00-191.00	189.50-190.00	195-500c dis	−21.98	860-1370dis	−21.40
Spain	216.45-218.85	217.00-217.20	160-180c dis	−9.40	515-540dis	−9.72
Italy	2330-2352¼	2337½-2339½	15½-16½ lire dis	−8.21	50-52dis	−8.72
Norway	10.84¾-10.96	10.88½-10.89½	3¾-4¾ore dis	−4.61	11⅞-12⅞dis	−4.50
France	11.52-11.67½	11.60¾-11.61¾	4½-6½c dis	−5.17	19-21dis	−6.89
Sweden	11.15½-11.27½	11.21¾-11.22¾	1-1½ore dis	−1.34	4-4⅝dis	−1.54
Japan	325½-330¼	327-328	0.63-0.54y pm	2.14	2.21-2.10pm	2.63
Austria	26.35-26.70	26.47-26.52	6½-5⅞gro pm	2.66	17⅛-14pm	2.37
Switz.	3.09-3.13¼	3.11½-3.12½	1⅞-1⅝c pm	6.25	4¾-4¾pm	6.77

Belgian rate is for convertible francs. Financial franc 79.05-79.15. Six-month forward dollar 1.18-1.23c dis, 12-month 2.70-2.80c dis.

THE DOLLAR SPOT AND FORWARD

March 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4560-1.4675	1.4600-1.4610	0.11-0.16c dis	−1.11	6.5-0.57dis	−1.49
Ireland†	1.1825-1.1920	1.1865-1.1865	0.23-6.20c pm	2.17	0.76-0.69pm	2.44
Canada	1.2660-1.2716	1.2710-1.2715	0.01c pm-0.01 dis	—	0.04-0.02pm	0.08
Nethlnd	2.8975-2.9140	2.9085-2.9110	1.05-0.95c pm	4.12	3.15-3.05pm	4.26
Belgium	52.60-52.85	52.77-52.79	15-17c dis	−3.64	35-40dis	−2.85
Denmark	9.4025-6.4300	8.4175-6.4225	¾-1¼ore dis	−1.27	¾-1¼dis	−0.42
W. Ger.	2.5840-2.5875	2.5780-2.5790	1.02-0.97pf pm	4.63	3.09-3.04pm	4.76
Portugal	129.60-130.70	126.90-130.40	1.25-325c dis	−20.70	4.05-860ds	−15.39
Spain	148.50-149.20	148.75-148.85	95-110c dis	−6.43	300-335ds	−5.73
Italy	1599-1605	1601-1602	8¾-16½ lire dis	−7.57	28¾-29¾dis	−7.29
Norway	7.4450-7.4675	7.4550-7.4600	1.80-2.30ore dis	−3.30	5.50-6.00ds	−3.08
France	7.9000-7.9800	7.9500-7.9550	2.60-3.10c dis	−4.30	11-12dis	−5.78
Sweden	7.6625-7.6950	7.6800-7.6850	0.15orepm-0.35ds	−0.16	.15pm-.35ds	−0.05
Japan	223.30-225.70	224.00-224.10	6.63-0.59y pm	3.27	2.31-2.26pm	4.08
Austria	18.08-18.18	18.17-18.18	6.10-5.50gro pm	3.83	18.60-16.50pm	3.85
Switz.	2.1180-2.1360	2.1330-2.1340	1.31-1.27c pm	7.27	7.74-3.70pm	6.89

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.10-54.20.

OTHER CURRENCIES

Mar. 9	£	$		£ Note Rates
Argentina Peso.	43.63-43.71	28.86-29.62	Austria	56.35-86.65
Australia Dollar.	1.5315-1.5335	1.0470-1.0475	Belgium	78.70-76.50
Brazil Cruzeiro ...	1,788.25-1,798.25	1,225-1,231	Denmark	13.71-13.86
Finland Markka	9.1720-9.2020	6.5825-6.5875	France	11.55-11.66
Greek Drachma	148.20-148.66	101.16-101.40	Germany	3.74½-3.78¼
Hong Kong Dollar	11.368-11.376	7.7765-7.7985	Italy	2315-2350
Iran Rial	126.90*	86.40*	Japan	328-331
Kuwait Dinar (KD)	6.4245-0.4245	0.2914-0.2915	Netherlands	4.23-4.27
Luxembourg Fr.	77.65-77.15	52.77-52.76	Norway	10.84-16.65
Malaysia Dollar	3.3345-3.3445	2.2840-2.2990	Portugal	187-196
New Zealand Dlr.	2.1830-2.1870	1.4920-1.4940	Spain	211-561½
Saudi Arab. Riyal	5.1160-5.1235	3.6090-3.0105	Sweden	11.19-11.39
Singapore Dollar	3.0426-3.6520	2.0838-2.0885	Switzerland	3.66¼-3.12¼
Sth African Rand	1.7380-1.7400	1.1900-1.1916	United States	1.45-1.47
U.A.E. Dirham	5.3636-5.3610	3.6720-3.6730	Yugoslavia	190-166

CURRENCY MOVEMENTS

Mar. 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.8	−10.5
U.S. dollar	135.6	+14.0
Canadian dollar	98.6	−2.1
Austrian schilling	118.1	+4.4
Belgian franc	90.8	−10.8
Danish kroner	76.6	−4.6
Deutsche mark	128.1	+8.1
Swiss franc	145.8	+13.0
Guilder	116.7	+5.3
French franc	67.4	−14.6
Lira	49.9	−12.7
Yen	158.6	+16.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

March 9	Bank rate %	Special Drawing Rights	European Currency Unit
Belgian Fr	11	56.3549	45.6858
Danish Kr	7	10.0407	6.15934
D'mark	4	2.74801	2.23044
Guilder	0	3.16370	2.51737
French Fr.	6½	8.48807	6.88026
Lira	10	1710.10	1388.71
Yen	5	238.688	194.238
Norwgn Kr.	8	7.95370	6.46540
Spanish Pta.	—	158.779	168.986
Swedish Kr.	9½	8.17690	0.66187
Swiss Fr	4	2.27000	1.84226
Greek Dr'ch	26½	108.248	87.7366

*CS/SDR rate for March 8: 1.35203

EXCHANGE CROSS RATES

Mar. 9	Pound St'rling	U.S. Dollar	Deutsche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.461	3.770	327.5	11.913	3.120	4.653	2333.	1.953	77.10
U.S. Dollar	0.685	1.	2.576	224.1	7.663	2.134	5.611	1602.	1.271	52.78
Deutschemark	6.266	0.387	1.	86.87	3.080	0.628	1.128	620.3	0.492	26.45
Japanese Yen 1,000	3.053	4.460	11.51	1000.	36.46	2.527	13.98	7140.	6.658	233.4
French Franc 10	0.861	1.858	3.247	888.0	10.	2.687	3.662	2014.	1.596	66.39
Swiss Franc	0.361	0.468	1.208	105.0	3.782	1.	1.363	749.5	0.594	24.71
Dutch Guilder	0.235	0.343	0.997	77.01	2.731	0.734	1.	549.9	0.436	19.13
Italian Lira 1,000	0.428	0.625	1.612	140.0	4.966	1.334	1.818	1000.	0.795	32.27
Canadian Dollar	0.540	0.788	2.036	176.7	6.267	1.684	5.265	1262.	1.	41.61
Belgian Franc 100	1.297	1.894	4.890	424.8	16.06	4.047	5.516	3033.	2.403	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9⅛-9¼	9¼-9¼	9⅝-10⅛	6-6⅛	1⅝-1½	6⅝-6½	12¼-12⅛	16-17	13-13½	18-18⅛	6⅝-6¾	12-12½
7 days' notice	9⅛-9¼	9⅝-9⅞	9¾-10	6-6⅛	1⅛-1¾	5⅜-5½	12¼-12¾	16¼-17¼	13¾-14¼	18-18⅛	6⅝-6¾	11¾-12⅛
Month	9-9⅛	10-10¼	10-10¼	6-6⅛	2⅛-3⅛	6⅛-6⅞	14⅛-14½	17⅛-17⅝	14½-15	11¾-12	6¾-6⅞	11⅝-12⅛
Three months	9-9⅛	10¼-10½	10¼-10⅜	6⅛-6⅜	3⅛-3⅜	6½-6⅝	15⅝-16¾	17⅛-18	13½-14	11¾-12	6⅛-6⅞	11⅝-11⅞
Six months	9⅛-9⅛	10⅛-10½	10⅛-10¾	6⅛-6¼	3⅛-3⅛	6⅝-6¾	16¾-16⅛	17⅞-18⅝	12¾-13¼	11¾-12	6⅛-6⅝	11¼-11⅝
One year	9¼-9⅝	11⅛-11¼	10⅞-11⅛	6⅜-6⅛	3⅞-4⅛	6¼-6⅛	16¾-16⅛	18¼-18¾	18⅛-13	11¾-12	6⅛-6⅛	11⅝-11⅞

Asian $ (closing rates in Singapore). Short-term 9⅞-9⅞ per cent; seven days 9⅝-9⅞ per cent; one month 10-10⅛ per cent; three months 10⅝-10⅞ per cent; six months 10⅞-10⅞ per cent; one year 11-11⅛ per cent. Long-term Eurodollars two years 11⅛-11⅝ per cent; three years 12⅛-12⅝ per cent; four years 12⅛-12⅝ per cent; five years 12½-12¾ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

STERLING £25,000 $ per £

DEUTSCHE MARKS DM 125,000 $ per DM

SWISS FRANCS SwFr 125,000 $ per SwFr

JAPANESE YEN Y12.5m $ per Y100

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

CERT. DEPOSIT (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STERLING (IMM) $ per £

GNMA (CBT) 8% $100,000 32nds of 100%

WEEKLY CHANGE IN WORLD INTEREST RATES

	Mar. 9	change		Mar. 9	change
BRUSSELS			MILAN		
One month	12	−⅛	One month	17⅛	Unch'd
Three month	12	−⅛	Three month	17⅛	+⅛
AMSTERDAM			DUBLIN		
One month	5⅛	−⅛	One month	16⅜	+⅛
Three month	6	−⅛	Three month	13	+⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8⅝.

MONEY MARKETS

Confusion follows Barclays move

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

Barclays Bank took the money markets and foreign exchanges by surprise last week when announcing a cut in its base rate by ¼ per cent to 8¾ per cent on Tuesday. This was not as much as most market observers had expected, but on the other hand was rather earlier than anticipated. There was some suggestion that one of the other clearers would counter Barclays with a base rate reduction of the expected ½ per cent the following day, but the Bank of England tended to spike anyone else's guns by apparently endorsing the Barclays move in its new dealing rates on Wednesday.

Comments by the other banks during the remainder of the week did little to encourage hopes that base rates will be further reduced this week, but there was still a strong suspicion in the money market that the Bank of England will cut its dealing rates again by Wednesday's Budget to bring base rates down to 8½ per cent.

Market rates tended to edge up towards the end of last week, and on Friday three-month interbank was offered at 9¼ per cent, a rise of ⅛ per cent from the time when Barclays made its announcement. These movements will tend to be watched even more carefully than usual in future, following Barclays statement that base rate will be kept more closely in line with market rates and is likely to move up and down more frequently and by smaller amounts than in the past.

The general air of uncertainty about interest rates left sterling nervous and depressed against all major currencies including the weak dollar. The pound lost over 2 cents to close at $1.4605, and the final trade-weighted index of 80.8 was the lowest for 11 months.

News from the Gulf about the war between Iran and Iraq, including Iraqi missile attacks on shipping in the area and the consequent threats to world oil supplies, failed to provide sterling with a firm base, while other factors tended to act with interest rates against the pound.

Doubts about the contents of the Budget added to the market's mood of uncertainty, while the declaration of official strike action in certain areas by the National Union of Mineworkers may have had some impact as it brought back memories of a previous encounter between the Government and the NUM.

MONEY RATES

Mar. 6	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.50	12¼	1-2	5⅞-6	6.40620	10⅞-17¼	18.75	12-12¼
One month	5.60-5.75	12⅜-12⅛	2⅛-3⅛	5⅞-6	0.40625	10⅞-17¼	11⅞-12⅛	12¼-12½
Two months	5.05-0.80	12⅛-12⅞	—	—	—	—	—	12⅝-12⅞
Three months	0.70-5.80	12⅛-12⅜	3¼-3⅜	5⅞-6⅛	0.20125	17⅛-17⅛	11⅞-12⅛	12⅞-13⅛
Six months	0.80-5.85	12⅛-12⅞	—	6-6⅛	—	—	11⅞-12⅛	13-13⅛
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	12	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. March 6)

3 months U.S. dollars	
bid 10 5/16	offer 10 7/16

6 months U.S. dollars

MONEY RATES

NEW YORK (4 pm)

Treasury Bills

Treasury Bonds

SECTION III

FINANCIAL TIMES SURVEY

Unlisted Securities Market

A heady mixture of entrepreneurial flair, hunger for development capital and the odd dash of opportunism has helped the Unlisted Securities Market to grow in dramatic fashion

Expansion from broader base

BY WILLIAM DAWKINS

SINCE ITS opening in November 1980 with an initial core of 11 companies, the USM has expanded far beyond the City's expectations. By the end of last year, 232 companies had tasted life on the USM, of which 17 had graduated to a full listing —one of the market's most important aims. Meanwhile, 12 companies were taken over and five collapsed.

The market started with an emphasis on oils and industrial stocks. It has broadened to include a disco, a casino, design companies and even a funeral director; and it has a busy calendar of new issues stretching many months ahead.

In the five years before the USM's birth only 60 UK companies had gone public. Clearly, the new market has gone a long way towards answering the shortage of funding opportunities for small businesses in the City bewailed by the Wilson Committee in 1978.

"The experience so far has been very rewarding," says John Dodwell, deputy head of the Stock Exchange's quotations department. "It has demonstrated that there was a latent demand for equity capital and that the arrangements we made seem to have been sufficiently attractive to draw out that demand."

The other rationale behind the USM was to provide a regulated environment for the growing number of stocks which were being traded outside the official stock market. Previously, the main alternative for unlisted companies that wished to trade their shares was to operate under the restrictive and cumbersome requirements of the Stock Exchange's Rule 163. That limited trade to occasional matched bargains with prior permission from the exchange.

Relaxation

"The economy was crying out for a younger and cheaper marketing method, so the USM was bound to succeed," says David Cohen of stockbrokers Simon & Coates, which have brought 15 new companies to the USM.

An important relaxation of the rules of admission to a public listing introduced by the USM was the reduction in the proportion of equity that companies had to release to the public from a quarter of the total to only 10 per cent.

Young entrepreneurs had been unwilling to sell 25 per cent of their company as demanded on the full market because that would have meant limiting the chance to cash in on the future growth they were expecting and any future rises in their companies' share prices.

Curiously enough, however, only a small number of USM companies have taken advantage of the 10 per cent rate, and the average is more like 30 per cent.

Other changes included the requirement that entrants to the USM need have only a three-year track record — as against five years—and abolition of the £500,000 lower limit on market value. Only one company has needed to use the latter concession, Stanelco engineering, which has a market capitalisation of £400,000.

The real attraction was the reduction in entry costs. Advertising requirements for USM entrants were radically reduced, so that they no longer had to place full prospectuses in national newspapers. Admission fees were reduced to £1,000 from anything up to £13,700 for a full listing.

Very few companies have come to the USM without raising some cash en route. By the end of last year, USM companies had raised almost £475m, including rights issues, about 60 per cent of which was retained for investment in their businesses and the rest kept by shareholders.

The rate at which they are raising funds is increasing. In 1983, USM companies raised nearly £200m against £83m in the previous year.

Mr Brian Reynolds, chairman of computer software group Micro Focus, which announced a £9m rights issue last month, the first USM rights issue of the year, says: "I see the USM as a source of venture capital. The advantage of equity finance is that you can keep coming back for more. If you borrow, on the other hand, there is an expectation that you borrow once and that's it."

Other companies have used their USM paper to fund takeovers, the most notable example being Oceonics, the marine electronics company. It saw its issue price multiply six-fold to 805p, and financed a series of acquisitions of other marine electronics companies within six months of being quoted before moving on to the full market last August.

The rate at which companies are joining the USM is also growing so that the market is now approaching a value of £2.5bn, more than double its worth a year ago, with the biggest company being Acorn computers, capitalised at £162m.

Yet the USM is still tiny in relation to the main market—in fact the whole of it is still worth rather less than Marks and Spencer, or one-third the value of BP, the biggest company on the Stock Market.

Schizophrenic

Despite its smallness the level of activity on the USM is proportionately far higher than on the fully-listed market. Last year £1.2bn-worth of USM shares—half the value of the entire market—were bought and sold.

Hand in hand with this frenetic activity has come the schizophrenic performance of share prices for which the USM has become famous. It has never pretended to be anything other than an opportunity for investors to take high risks in the hope of reaping high returns, as testified to by the warnings that each USM share certificate must carry. And right from the start, it has looked disturbingly vulnerable.

For one thing, its fortunes are tied to two sensitive sectors, oils and electricals, although the presence of oil companies is not nearly such an over-riding feature of the market as at the outset. Between them, however, these two sectors still account for about half the USM's value.

In its first year, the City's doubts about the new market seemed to be confirmed when Joe Granville, the oracle of Wall Street, raised doubts about the USM in a radio interview. Prices went into a tailspin across the board as investors panicked.

The scare was short-lived, and since then the USM has shown signs of greater resilience. Yet share prices are still notoriously volatile.

Paradoxically, the market for at least a third of the stocks on the USM is effectively moribund, with only a handful of shares in those companies changing hands every day. The activity tends to take place on the first day or so of a listing and then tail off sharply thereafter.

Jobbers estimate that 70 per cent of the shares made available to the public in the average placing are "turned" in the first day of dealings, and that this drops to 10 per cent in the second day, with hardly any business after day three.

"Quite a few issues tend to start off in a blaze of glory and then just burn out," says David Cohen. Of the current total of 210 UK-based stocks on the USM, 55 are trading below their issue price.

The volatility of those shares which are actively traded on the USM is intensified by the narrowness of the market in many stocks. Initially this was because company directors held tight control over their share stakes, but more recently the market has got even tighter as institutional investors have moved in.

Institutions fought shy of the USM in its early days, but now that it is closer to establishing real respectability they have built up their holdings and are believed to account for some 70 per cent of the free equity on the market.

It takes very little buying or selling of a narrowly traded share to send its price shooting up — or down — dramatically. A case in point is Adam Leisure, a Harrogate-based distributor and maker of electronic toys, which last month saw its share price plunge from 87p to 40p in one day following a few pessi-

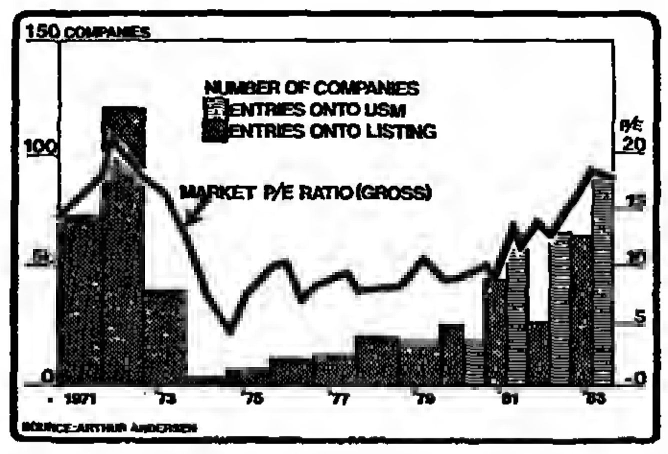
CONTINUED ON PAGE 2

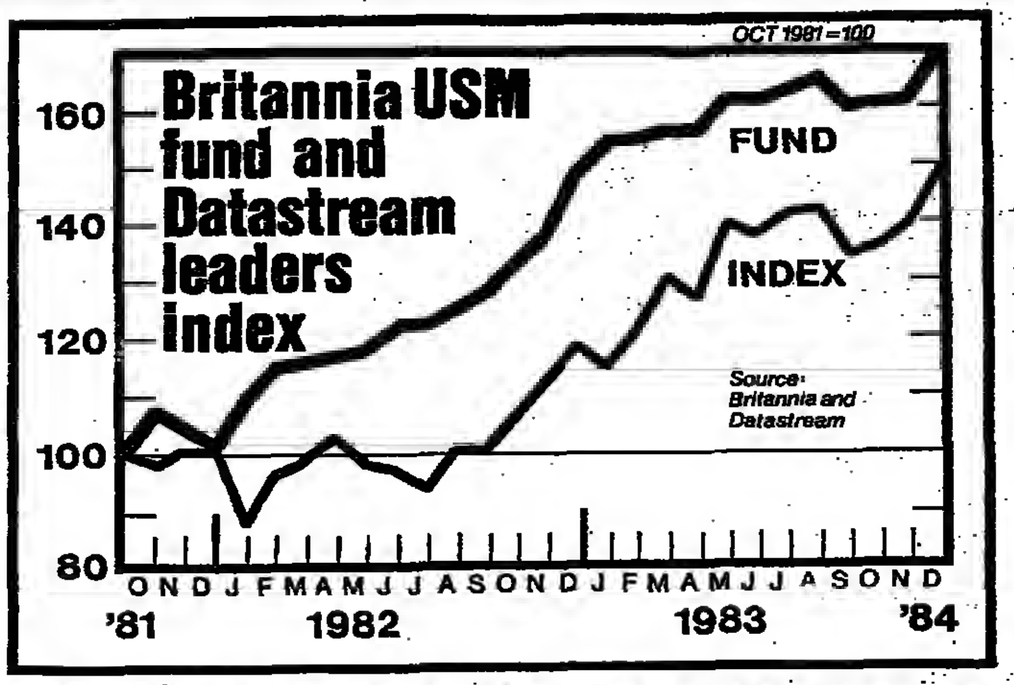
CONTENTS

ANALYSIS OF USM COMPANIES BY SECTOR AND CAPITALISATION*

	Number of of cos.	Market capitalisation (£m) 0-1	1-5	5-10	10-20	Over 20
Engineering manufacturing	11	—	7	3	—	1
Other manufacturing	30	2	7	11	8	2
Computer systems and services	26	—	11	5	5	5
Oil, gas and energy	23	—	3	5	7	8
Building and property development	14	2	7	3	1	1
Leisure	13	—	5	3	1	4
Financial services and advertising	11	—	5	2	2	2
Drink and food	11	1	3	5	1	1
Distribution and wholesaling	10	1	6	2	—	1
Retailing	9	—	5	1	2	1
Investment (including property investment)	7	1	3	2	1	—
Other	33	2	7	9	12	3
	198	9	69	51	40	29

* November 1983
Source: Arthur Andersen





Investors seeking a direct position on the USM have a choice of two funds: Britannia, after a hesitant start, has managed to track the leaders index consistently and to iron out some fluctuations on the way

Rewards and pitfalls for private investors

THE Unlisted Securities Market has gone a long way towards shaking off the shady and speculative image it bad in the minds of many investors three years ago.

With success stories like Oceonics, Acorn computers and Micro Business Systems behind it and a market valua epproaching £2.5bn, the USM bas proved that it can be a mine of genuine opportunities for private investors.

However, it is still no plece for widows and orpbans. As every USM share certificata warns in large red letters: "This security is not listed on the Stock Exchange and the company has not been subjected to the same degree of regulation as a listed security."

That is not to say that there are not large gains to be had for the nimble footed with a spot of spare capital available for risk-taking. But if you are planning to take a flutter on the USM, don't do it with money you cannot afford to lose, and do bear in mind the following basic rules of survival:

● Be prepered for a hair-raising ride. The marketability of many stocks is extremely thin, since institutional investors hold around 70 per cent of the free equity on the USM and the directors are not obliged to release more than 10 per cent of their companies' equity. When prices of narrowly traded stocks move, they move dramatically. You could occasionally be saddled with huge losses as well as gains.

Small bundles

● It may be impossible to pick up more than e handful of shares in many companies. Dealing frequently in small bundles of stock is expensive, so consider whether the gain you hope your favourite hot-stock will achieve will be enough to cover the dealing costs.

● Prices tend to move quickly in the first day or two of a new share's life, with business tailing off sharply thereafter. Tha result is that around a third of the stocks on the USM are hardly traded at all and their prices stagnate. This means most private USM investors are probably the "stags" who move in on new issues, buying shares on the first day in the hope of selling them as quickly as possible at a profit.

● Regular published information on many USM stocks is still thin. Brokers Hoare Govett and Grieveson Grant do produce circulars on the USM and a number of others are mustering their research resources. But information, particularly on smaller companies, is still so scarce that investors may get no werning of impending trouble.

● The information famine has encouraged a small boom in share tipsheets, which claim to offer special knowledge of the stocks they cover to the benefit of subscribers. In practice, however, private investors do not often gain from tipsters' recommendations. Jobbers read all the investment newsletters first thing in the morning and mark up the prices of any tips before trading starts. So you might gain by selling a share you already own if it happens to pop up in a tipsheet, but you will be unlikely to make a large profit by investing after publication.

Clearly, the USM provides more scope for the private investor to make a quick in-and-out profit from new issues in the first few days of life than to reap long-term capital gains.

In any case, it is still too young to have proved itself as a lucrative source of long-term private investments for individuals, although the institutions are taking the USM increasingly seriously.

Despite the institutions' growing confidence, however, the number of managed USM funds available to the private investor is very small. Ivory & Sime's First Charlotte Assets investment trust and Britannia's USM unit trust, both established in 1981, are the only managed vehicles which fully specialise in the USM.

Both funds got off to a slow start because the method of bringing new companies to the USM makes it difficult for fund managers to pick up meaningful boldings at the time of the issue. "When we started First Charlotte, there was simply not enough on the USM to buy," says Garth Ramsay, deputy chairman of Ivory & Sime.

However, First Charlotte has built up its USM exposure to 47 per cent of net assets and intends to reach 50 per cent shortly. The rest are divided between U.S. over-the-counter investments, the full stock market and UK government securities.

In the year to March 1983, First Charlotte's net asset value rose by 38 per cent, just under the 40 per cent increase shown by the Datastream USM index over the same period. After a £4.5m rights issue last summer, the fund is now worth around £8.6m.

The most straightforward benefit of choosing a managed USM fund is that it enables a small investor to build up a spread of holdings which it would be difficult and expensive to do alone.

In addition investment trusts can switch from one company to another without incurring capital gains tax, while individuals' timing of investment moves may be affected by their need to avoid notching up too many capital gains in a single tax year.

"If capital gains tax considerations hold up your investment decisions in a fast moving market like the USM, that could be a severe disadvantage," argues Mr Ramsay.

Britannia's £8m USM fund marginally underperformed First Charlotte in the comparable period, producing a 36 per cent gain in unit price. It has a rather higher USM content—75 per cent, with 15 per cent on the over-the-counter market and 10 per cent in cash.

"Given the special nature of the USM, the fund could be a highly volatile investment and therefore the managers suggest that the new fund should form only part of a balanced portfolio of international equities, fixed interest securities and cash," Britannia warns.

Equal chance

Because of the narrow marketability of many USM stocks, turnover in the fund has to be very small, says Britannia's Shaun Whyte. "We would tend to hold our USM shares for rather longer then in a fully quoted portfolio," be says. "However, the fund does give shareholders the chance to be in with an equal chance to the institutions at new issues."

Even an institutional buyer of Britannia's size finds it hard to pick up large chunks of USM equity. None of the fund's USM holdings accounts for more than 2 per cent of total asset value, according to Mr Whyte.

On the other side of the coin, the number of investors willing to invest in the USM via e managed fund is still limited. "We feel that it would be very difficult to ettract really large sums of money to the USM" says Mr Whyte. "At the same time," be adds, "an increasing number of people are believing that this is a genuine market and that the companies in it are attractive."

William Dawkins

Broader base

CONTINUED FROM PREVIOUS PAGE

mistic words from the chairman at the AGM.

There are only 5m shares in Adam Leisure available to tha public, of which 5,000 or so are fully tradable—and the market in some USM stocks is even more limited.

Micro Focus, for instance, is estimated to bave a free market for only 2,500 shares, whila Kenyon funeral directors has a market for a mere 500 shares, eccording to jobbers Bisgood, Bishop.

Against this background, it is not surprising that USM share ratings have looked over-inflated. Stockbrokers Hoare Govett estimate that tha average historic mutiple on the USM is between 25 and 30, against 10 to 15 for the full market.

Clarly, some USM companies do have tha growth prospects that would justify such ratings, especially since their profits are rising from a very low base. But, in a bear market, sky-high ratings could become dangerously fragile, and for this reason both the Stock Exchange and Bank of England have warned of the dangers of over-beating in the USM.

Contributing to share prices' volatility bas been the dearth of researcb material on USM companies. It mekes little commercial sense for large stockbroking firms to devote a lot of time to investigating USM companies because tha business does not justify the expense.

Consequeotly, a hint of bad news ce nappear as a devastating shock, catch the market on the wrong foot and send prices into collapse. More dangerously, a company can quietly run into disaster without its share price registering any warning. IoTechnology, for instance, suddenly went into receivership last year while its 5p shares were trading et 230p, only 20p less than the issue price.

The information vacuum has encouraged the growth of share tipsbeets and speculators, which aim to exploit any specialist knowledge they claim to have to their subscribers' benefit.

Recent months have shown that the research gap is beginning to be filled by the brokers, with the emergence of publications such as Hoare Govett's weekly data service, Grieveson Grant's monthly review and Albert Sharp's survey of 19 computer companies on the USM.

These are the first signs that leading stockbrokers are taking the USM seriously. Moreover, they are beginning to think of it as a nursery for younger companies which could provide profitable relationships in future years.

Despita its success, however, the USM cannot be considered fully mature in the City until it has weathered the full force of e bear market. Until thet time, its stability will be unproved. "We haven't had many casualties yet," says Geoffrey Douglas of Hoare Govett. "But in a more testing climate, there could easily be a lot more."

Success of the USM has confirmed the Stock Exchange's view of the need to offer smaller developing companies financial incentives to seek a quotation

Cheaper access proves big attraction

THE STOCK Exchange charges a fixed fee of £1,000 per annum for a quotation on the Unlisted Securities Market. What a company pays above that to go public will depend on everything from the history of the company to the efficiency of its advisers.

A full listing is more expensive than a USM quotation. Instead of the latter's fixed £1,000 charge, a listing is charged according to the capitalisation of the company and goes up each time there is a further issue of shares.

Chartered accountants Arthur Andersen have calculated the comparative costs of an offer for sale in connection with a listing and a placing on the USM for a company with a £10m market capitalisation.

The figures are only a guideline and the costs will obviously vary according to the individual situation of the company. However, assuming that the full listing is of 25 per cent of the capital and the USM placing of 10 per cent Arthur Andersen suggests the costs will vary from between £239,000 and £301,000 for the listing and only £70,000 and £120,000 for the USM placing. (See accompanying table.)

A placing is the most common method of entering the USM and costs typically in the range of between 5 per cent and 15 per cent of the money raised. "For a well-controlled, single location company in an uncomplicated business, the total costs are likely to be between £50,000 and £100,000," say Arthur Andersen.

The main elements of the costs are the fees of the sponsor, reporting accountants and solicitors which vary in relation to the amount of work they have had to do to prepare the company for a quotation.

If a company is brought to the USM by way of an introduction only, a long form report from the reporting accountants (which is time-consuming and costly to prepare) is not required.

The solicitors' costs will depend on the work involved in amending the articles of association or any restructuring of the share capital which might be needed beforehand.

Responsibility

The sponsor assumes the greatest responsibility of all the advisers for the issue, deciding on the pricing of the issue, the method of entering the market and making the underwriting arrangements. Not surprisingly, the fees tend to be higher, sometimes double that charged by the reporting accountant and solicitor.

The underwriter's commission will be ½ per cent for a placing and between 1½ per cent and 2 per cent for an offer for sale.

Other expenses include the printing costs of the offer document, the prospectus, the share registration fee and advertising costs.

Spicer & Pegler discovered in their survey of companies on the USM that expense was the dominating factor in a company choosing the USM instead of a full listing. Expense was "very important" to 42 per cent of the companies asked, and "quite important" for a further 30 per cent.

The Stock Exchange encourages companies to spend at least a year on the USM before applying for a full listing. An increasing number of companies are making it quite an open part of their business strategy to move up as soon as possible, though when the path has been adopted solely to save on costs the practice is rather frowned upon by the authorities.

Some companies show considerable ingenuity in finding the most economic route to the market. CPS Computer Group, for example, is expected to arrive on the USM on March 13 by way of a reverse take over of a suspended fully listed company, Olympia. It gains around £900,000 net cash from Olympia as a result and joins the USM as the directors want to place only 10 per cent of the shares. They are hoping that in a year's time when they plan to move back up to a full listing (which means selling more shares into the market to release at least 25 per cent of the equity) they will get a better price for their shares than they would have if they had placed them all at the USM placing price of 67p.

COMPARATIVE COSTS OF PUBLIC QUOTATION

Professional charges:	Listing (offer for sale of £2.5m) £'000s	USM (placing of £1.5m) £'000s
Sponsor	40-60	20-40
Reporting accountants	20-40	20-40
Solicitors	20-30	15-20
Commission	50	8
Sub-total	130-180	58-98
Other expenses:		
Advertising	75	3
Printing	20-30	7-15
Stock Exchange fees	4	1
Share registration	10-12	1-3
	239-301	70-120

Source: Arthur Andersen

Some quoted companies find the USM a useful vehicle to float off subsidiaries, giving the smaller offshoot an independent source of raising finance and often putting a value on the parent's stake in the company above that at which it is valued in the parent company's accounts.

The Sangers group, which has interests in property and manufacturing, recently placed 24 per cent of the shares in its photographic wholesaling offshoot Sangers Photographic. At the time of the flotation Mr Mike Flynn, chief executive of Sangers, said: "We wanted to give the management the autonomy to develop and diversify the company, including possible acquisitions, without having to always come to the main board for approval."

Many companies see coming to the market as a big public relations exercise. They feel they have reached a stage in their business development when a quotation is felt to enhance their status. It is an effective marketing tool with customers and suppliers.

If publicity is a determining factor, however, then a company should make an estimate of the expense of the quotation (including the hidden costs of employing valuable management time in preparing for the quotation) and decide whether that money might be more effectively spent in marketing terms without going public. The cost of say, £100,000 could cover a major mailing operation or other advertising project which might achieve the same higher profile and extra custom without the disadvantages of going public.

Alison Hogan

COMPANIES MOVING FROM THE USM TO FULL LISTINGS

	Price (p) at issue/ intro.	Price at March 1
A & G Security Electronics	80	150
Aerospace Engineering	153	45
Aidcom International	28	86
Anglo Nordic Holdings	40	30½
Bespak	75	288
Carlton Communications (was Fleet St Letter)	52	450
Clyde Petroleum	202.5	130
†Dunbar Group	300	—
FKI Electricals	10	20
Goal Petroleum	78	100
Good Relations Group	61	240
Intasun Leisure Group	86	177
Jackson Exploration	62	83
Kennedy Brookes	113	228
Markheath Securities	130	123
McCarthy & Stone	68.5	390
Oceonics Group	65	285
Resource Technology	93	165
Star Computer Group	155	255
*Trust Securities	75	—

† Taken over by Hambro Life.

* Taken over by Stockley Development.

The number of companies moving on to a full listing is growing

Promotion to the first division

AIDCOM International, which specialises in innovation, design and product development, has shown considerable flair in its own business dealings since it reversed into United Rubber and Coffee Plantations (1932) in January 1980 and then joined the USM the following November.

Mr James Pilditch, who heads the design and marketing consultancy, has provided almost a text-book case of how to use the USM. He kept costs to a minimum by joining through an introduction, then used the status of a public quotation to strengthen the company's position when it decided to take a number of strategic stakes in other businesses.

It bought MAS Survey Research outright for £300,000 and took 40 per cent of DVW Microelectronics for £30,000 and a 51 per cent stake in the employee benefit consultancy Cockman Copeman for £250,000. By March 1983 the company decided it was time to raise £1.54m through a rights issue. This was followed two months later by the acquisition of a 65 per cent stake in World Medical Markets for £140,000.

After a comfortable three years in the USM nursery and a steady increase in profits to £730,000 in the year to October, up from £364,000 in the previous year, Mr Pilditch and the board decided that Aidcom International had attained a size and record good enough to move to a full listing.

It is the most recent company to get a full listing from the USM and brings the total to 20.

The Stock Exchange prefers a company to spend at least a year on the USM before contemplating promotion to the Upper House.

Some companies like Aidcom have taken their time, whereas others have shown almost indecent haste to move on. Reasons for the timing vary. Some companies join the USM with the express intention of moving up as soon as possible. They often prefer to begin by giving a smaller amount of shares up to the market, getting used to the circumstances of a public company gradually, with perhaps only a limited trading in their shares. Then, as their confidence grows — and hopefully their profits and prospects too —the directors can contemplate widening the market by either releasing more of their equity or issuing new shares.

Not all companies issue new shares when they make the move. Good Relations, the first public relations company to get a quotation, moved to a full listing in September and decided not to issue new shares, preferring to keep the market fairly narrow (though of course it has to meet the minimum requirement of 25 per cent of the issued share capital in public hands).

Good Relations took just two years to make the move. It has a steady 30 per cent year-on-year growth record and is expected to have reached profits around the £1m mark for the year to last September. Group managing director Ms Maureen Smith said at the time of the move that the greater respectability of a full listing was an important consideration.

It is a good marketing plus too. In the PR business it must help in defending companies against unwelcome takeover bids when the PR outfit has had some experience of the market itself.

In the early days of the USM there was considerable anxiety about the volatility of the share prices. Some people also feared a possible lowering of the tone of the market with the arrival of rather unusual companies.

Oils and electricals feature heavily on the USM. Both sectors took a bit of a nosedive at different times in the last three years, making shares, many of them supporting fancy price earnings ratios, seem suddenly very vulnerable.

The USM has not experienced a bear market yet and companies watch anxiously for the first signs. The general consensus, however, has been that the USM came through its first three years with flying colours and remarkably few casualties.

Heavyweights

It has enough heavyweights to assure a reasonable level of respectability. If it tries too hard to emulate the listed market then it would lose its raison d'etre as a lively if slightly more risky nursery for small companies.

The aerosol manufacturer Bespak was one of the more impatient companies on the USM. It joined the market in November 1982 and moved up to a full listing the following August.

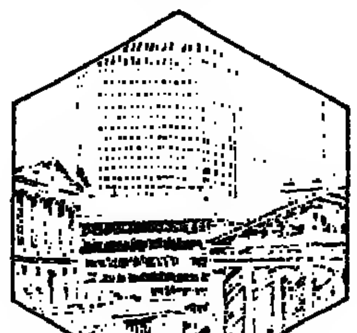
It nearly went for a full listing 12 years ago but when the market suddenly started hurtling downwards it decided to bide its time. It watched the USM take shape and decided that here was a cheaper and simpler way of getting a quotation which it decided to take advantage of. Bespak also had the tug of being almost a one product company, depending heavily on the supply of aerosol inhalers to Glaxo.

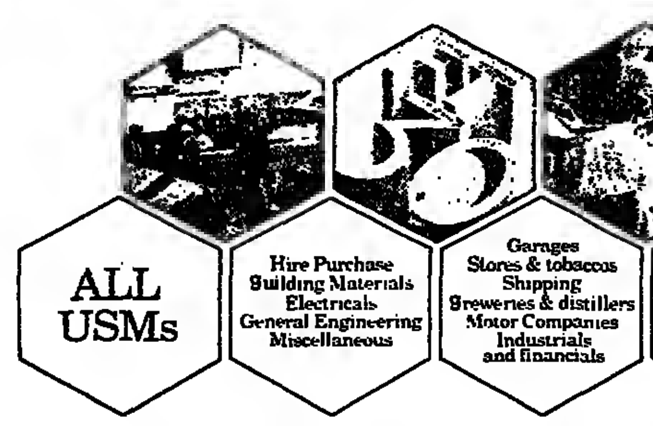
Just a year on, it managed to widen its product range a little and more than doubled pre-tax profits in the year to April. The £1.9m profits beat the prospectus forecast by almost 50 per cent.

Bespak joined the USM at a placing price of 75p per share and has since reached levels well above 300p, though it has underperformed since getting a full listing. After the razzamatazz of the USM the quoted market can sometimes seem a little dull.

While the pace of companies joining the USM continues to quicken, so too is the number of companies that go up to the first division expected to grow. A few are rumoured to be waiting in the wings for an early debut.

Alison Hogan





Unlisted Securities Market IV

Charles Batchelor looks at the demand from a third tier of borrowers too small or too young for even the USM

Over-the-counter market set for expansion

THE GROWTH of the USM has been matched by the equally rapid expansion of the over-the-counter (OTC) market. Far from absorbing the need of smaller companies for funding and for exposure to a public market place, the USM seems merely to have fuelled demand from e third tier of borrowers too small or too young for even the USM.

London's OTC market is the merest shadow of its U.S. counterpart, where 4,000 stocks are traded in a well-regulated environment. But tha dozen or so licensed dealers in securities who are ettempting to establish a telephone market in London for the shares of about 80 companies are confident that the OTC is set for further explosive growth.

Vulnerable

It has already made great strides over the past two years. In the beginning two licensed dealers struggled to make a market in just two stocks.

The rapid expansion of the OTC market is viewed with concern by many in the city.

Most of the companies coming to market are small enough to be very vulnerabla to set-backs; the market itself is subject to no formal regulation (though licensed dealers must be approved by the Department of Trade and Industry); trading lacks the depth to ensure that all the shares are realistically priced.

The licensed dealers themselves are the first to acknowledge that the OTC is not for the inexperienced investor and that it should be regarded as a highly speculative market.

The picture is confused by the fact that the market which is increasingly regarded as the OTC has in fact usurped the title which one licensed dealer, Granville and Company (formerly M. J. H. Nightingale and Company) has been applying to its own very different mar'๋:t for the past 12 years. The two now co-exist rather uneasily.

Both markets set out with the same aim — to provide capital for companies too small to raise funds on the Stock Exchange and latterly the USM. But while Granville concentrates on grooming well-established companies with a steady growth record for the carefully controlled market in which it is the sole intermediary, the new OTC market makers follow a "hands off" policy.

Granville seeks to attract companies capable of, or already achieving, pretax profit of £500,000 and with a potential market valua of £2-10m. It does not make a market in the 26 companies it lists but restricts itself to matching bargains—attempting to find the stock required at a particular price if the investor wants to buy or finding a purchaser if the investor has surplus stock. It takes a commission from both parties to the transaction.

In matching bargains Granville ensures that stock does not fall into the hands of investors who might be hostile to the existing management, thus ruling out the possibility of a contested take-over bid.

Granville's market is largely institutional, dominated by about 80 insurance companies, pension funds and investment trusts.

Combined market capitalisation of the companies qnoted is around £165m, though this represents only part of their total capitalisation since a majority of the shares is usually retained by managements. Normally 10-15 per cent of a company's stock is made available in the initial sale.

Granville-listed companies include Airsprung, the bedding manufacturer, Bardon Hill, the quarrying group, and Minihouse Holding, a Dutch compnter systems company which was brought to market last year.

It is Granville's monopoly control of its own market which has helped provide the impetus for tha new OTC market. Here, in theory at least, competing market makers ensure a price is created for a stock in e competitive environment.

It is true that more and more stocks are attracting np to four market makers but many are still handled only by the licensed dealer who brought them to market. Hard Rock Cafe, a hamburger restauran in London's West End, is traded by three licensed dealers as well as Harvard Securities, which brought it to market.

Mixture

Applied Holographics, a manufacturer of holograms or three-dimensional images, and Edenspring, manufacturer of the Oric computer, are also dealt in by four licensed dealers but other stocks are less well served. The companies listed are a mixture of high-technology and more traditional businesses.

Harvard Securities has been the main mover behind the development of the OTC. It makes a market in 30 of the 80 stocks and expects the total market to expand to 200 stocks by the end of 1984. Monthly trading volume of OTC stocks is now aoproaching £7m, up from £400,000 in November 1982. Total OTC market capitalisation is about £190m, Harvard estimates.

Harvard, which has 25,000 private clients, is firmly aimed at the retail market, seeing a niche for itself among investors too small for the average Stock Exchange broker to bother with or those put off by the exclusivity of the Stock Exchange proper.

Companies coming to the OTC should be able to raise £1-1.5m, although anything larger is difficult for the market to absorb, says Mr Tom Wilmot, managing director of Harvard.

Mr Tony Prior of Prior Harwin Securities, a smaller licensed dealer with mainly institutional clients, says he is happy to limit to capital-raising exercises of £100,000-200,000.

Prior is concerned that the OTC is a less liquid market than some of its supporters claim. A new issue is usually followed by a reasonable amount of activity but in the absence of exciting developments interest wanes, people unload stock and the market makers quote only e "basis" price — they will only match bargains.

The introduction of the Business Expansion Scheme (BES), which provides tax relief on investments of up to £40,000 in OTC stocks, has already prompted the launch of new OTC companies.

It may persuade some companies to take the OTC ronte to a public market but most OTC market makers see their market as only e first step to e USM or full Stock Exchange listing anyway. The more senior markets will benefit in the long run.

The BES is unlikely to promote active OTC trading since the investment must be held for five years for full tax relief to be gained.

Association

The OTC market has gained in cohesion since Prior Harwin started publishing its "pink sheet," listing prices for most of the stocks traded.

Four of the licensed dealers, led by Harvard, have established a trade association, the British Institute of Dealers in Securities (BIDS), which they hope will ultimately achieve recognition by the Department of Trade and Industry. This would allow the market to regulate itself.

BIDS has drawn up rules for dealing and minimum liquidity requirements for members and provides for independent arbitration in disputes and for a compensation fund.

The OTC has so far been spared a spectacular company crash which would damage its image, although market makers accept there will be failures. But it has yet to ride out a sustained bear market. Many of the small companies traded on the OTC might not have the resources to survive a prolonged downturn.

Its supporters say the market may be vulnerable but fulfils a genuine need. They look forward to the day when OTC stocks outnumber those on the USM and the Stock Exchange.

If that day is to come their US model must be matched in another important respect. The market will have to be subject to a far greater degree of regulation.

Some 55 stocks out of 210 were trading below issue price at the end of February. Terry Garrett discusses the risk factor

When choppy waters reveal leaky boats

THE Stock Exchange establisbed the unlisted securities market to attract young entrepreneurial husinessmen to a market with less demanding admission rules than a full quote, where they could float a limited number of shares in fairly small companies. A couple of hundred new millionaires later and everything has gone more or less as well as could be expected.

Very few USM stocks ere actively traded beyond the first few days of dealing. As institutions become more relaxed towards the market, building up stakes in USM companies, thin markets get even thinner leaving the USM little more than a quick in and out new issue market for private investors. A leck of research by brokers inevitably has bred a number of tip sheets while prices generally are more volatile and share ratings far more optimistic than the main market.

The only really surprising thing abont this junior market is that even though every stock carries the Stock Exchange's "wealth warning" — "This security is not listed on the Stock Exchange and the company has not been subjected to the same degree of regulation as a listed security" — very few have wiped out their enthusiastic investors.

There have been very few USM companies thet have gone bust leaving their shareholders with nothing more than a useless share certificate as an unhappy reminder of what not to invest in. In fact, the number of USM stocks that have gone into receivership can be counted on one hand. That is not bad going for the market, which is supposed to be all about high risks and high rewerds. Against the main market the USM is fair shining with health in that respect.

But, of course, the Stock Exchange does weed out some of the more dubious candidates before they reach the USM, while aponsoring brokers and finance houses are generally becoming more careful. As the USM is developing out of its infancy, the quality of sponsors has improved generally to the point where those involved now have a lot to lose if they put their name to a dud.

Fiascos

Nevertheless, while the number of companies that have actually gone down is small—Hesketh Motorcycles, Euroflame, IoTechnology and American Communications Industries — the number of fiascos on the USM could fill a not so small book. Missed profits forecasts are nothing new and companies that have been floated on quite fantastic earnings multiplies after e couple of years of rapid growth only to go into decline once the public had put in money, are not that hard to find.

Perhaps the most telling statistic about the overall performance of the USM is that, eccording to Datastream, 55 USM stocks out of 210 were trading below their issue prices at the end of February. Those figures exclude overseas-based companies such as Nimslo. It looks a pretty poor performance given the overall hullish mood of equity markets.

Two USM stocks are currently in suspension, trying to come to grips with their changes in fortune. Thames Investment Securities suspended its shares last October as its founder and chief executive left and the company's property assets were dramatically written-down.

At the time one of the jobbers said that for months he did not know if the price of property group Thames should have been £2 or 20p. In other words the research into USM stocks left even a market professional with no idea of the company's true worth.

The other company in suspension is Immediate Business Systems. It joined the USM two years ago with a placing of equity at 90p a go. Tha shares have been up to 314p since then but a few weeks ago were suspended at 58p.

IBS started with an interesting product — portable billing machines allowing gas and electricity mater readers to present occupants with a bill there and then—which should seem like a natural winner. But the initial losses, which were always foreseen, have mounted and even after a rights issue in 1983 the management has had to suspend in order to "finalise refinancing proposals."

That saga typifies many of the USM tales of woe, in which enthusiastic managers have brought along new products with potential, but development and marketing time have been seriously under-estimated. The result is that under capitalised companies run into trouble. IBS is not the only one.

Nimslo may not be in suspension but it is e fine exampla of e product that caught investors' imagination but seems to leck a viable place in the markets.

Breville Europe is the other side of the coin. It joined the USM on the back of a highly successful toasted sandwich maker but Breville is now suffering the problems of a (basically) one-product company when its product is no longer the latest fad.

Chemical Methods Associates Inc. broke new ground in tackling its problems on the USM. A maker of commercial dishwashers in the U.S., Chemical

CONTINUED ON NEXT PAGE

One sign of the market's growing maturity is that member companies have become active in acquisition ventures

Participants move into takeover game

ONE OF the principal accusations levelled at the Unlisted Securities Market by its sceptics at its launch over 3½ years ago was that it would be little more than a vehicle for successful entrepreneurs to realise part of their investment in the budding businesses they had created.

In a sense that criticism will always have some element of truth in it but as the market matures—and its earlier participants mature with it—the USM is spawning businesses which are prepared to use marketable paper for the classic reasons; principally to raise negotiable currency for acquisitions and additional capital.

It is easy to exaggerate the benefits which USM paper may bring in acquisitions and rights issues. The prototype USM stock released very little equity to the outside world and as a broad generalisation the free capital went to a tightly defined circle of friends and friends of friends. It is worth noting that companies such as Microgen issued minuscule portions of capital to outsiders but that company, like an increasing band of its peers, is now opening up its capital base.

As one of the leading brokers in this market observed recently, fund raising may well herald a rise in share prices as an almost unmarketable stock becomes a tradable entity. He says that for many entrepreneurs one of the principal reasons for a USM float was, anyway, the use of paper for acquisitions.

Not that there has been very much coherence about takeover activity in the USM. In the senior market, as a broad generalisation, takeover activity has been concentrated on financial services agglomeration and asset management whereby tried and trusted managements attempt to pick up and shake up under-utilised assets, where necessary, by contested takeover. On a more specialised front, there has been a pronounced re-allocation of ownership in the building materials sector, a process which can be expected to continue.

For the USM, not unnaturally, the picture is very much more diffuse. The shifting stakes in USM stocks such as Coleman Milne, Miss World and Pineapple Dance Studio serve only to tell students of junior market form that Michael Ashcroft and David Wickins are interested in this arena and here, just as much as in the full listed scene, they are constantly shuffling and re-shuffling a mix of core and peripheral businesses.

Inherent bias

To the extent to which the USM does reveal some concentration of activity, takeover activity reflects this inherent bias. If the USM can be categorised it may be fair to say that its principal elements are made up of either high technology issues (which include communications and security), oil and resources (which would include exploration and applied exploration expertise) and to a lesser extent the financial sector, mostly property investment and development.

The first stock out of the USM and on to the full market was Markheath Securities, a North London property investment and development group. Oceanics, the marine electronics group, which quickly followed, made a great deal of use of its equity on the USM and built its market capitalisation up to over £90m before making the switch. Oceanics was by far the largest USM stock to make the transfer, but it seems that those that follow will enjoy a high market rating which stems in turn from a progressive earnings record and the ability to use their paper for progressive acquisitions.

Tha most active takeovar companies on the USM include Aidcom International, which acquired Media Computer Graphics and Talking Pictures for £36,000 and £50,000 respectively. That is admittedly fairly small beer but A & G Security Electronics has acquired Carters of Burnley for £1.4m, or about—of its then market capitalisation.

Aerospace Engineering purchased the fluid power and nuclear division of Vickers for £3m, against a year-end market value of under £8m, and Resource-Technology, tha exploration equipment group, paid £5m for SPT Group when its market value was less than £14m.

Other recent buyers on the USM have taken in Microgen, which has acquired Hopefor for £990,000, or 230,000 shares; MME Facilities, which has acquired Ewart & Co (Studio) through the issue of 800,000 shares; and Coleman Milne, which has funded the acquisition of a slice of Henlys equity through the issue of shares to British Car Auctions.

On occasions, such as the acquisition of Wheelers Restaurants by Kennedy Brooks, the juniors market takes a pot shot at its supposed bigger brethren by making a successful takeover. More frequantly, as in the rival takeovar bids for Glasgow-based video distributor Michael Black by Highgate & Job Emess Lighting, fully listed stocks pitch for their unlisted pears.

Others to come into this category include Oldham Brewery, which hitched up successfully with its North Western neighbour Boddington's Leisure Industries which merged with Riley Leisure, its most directly comparable company in the snooker, pool and billiards industry and CCP North Sea Associates which was taken over for £16.3m by Tricentrol, which itself has spawned a USM sub-subsidiary, Mnemos, an offshoot of Comtech.

Some objections

Crest International Securities was eventually acquired for £5.6m by Kwik-Fit (Euro), although not without certain objections from Kwik-Fit's institutional shareholders.

As to the rights issue market, USM companies have been tolerably activa raising, as Hoare Govett has calculated, £68.6m out of a total of £349.5m new capital raised between 1980 and 1984. Since then McCarthy and Stone, builder of sheltered homes for the alderly, has raised £12.1m on a one-for-four basis and has transferred from the USM to the fully listed market. Its business has grown rapidly since its first launch date in May 1982 and it may be a feature of those USM stock ready to make a "heavy" call on shareholders that they are also ripe for a transfer to a full listing.

Microfocus has recently unveiled a one-for-six rights issue to raise £9m net of expenses.

Again, tha business has grown very quickly — 1983 profits were very nearly treble those of the previous year and its activities as a computer software supplier are estimated to have a great deal more expansion possibilities. But the widening of a hitherto tight markat for tha shares plainly had much to do with the way the price jumped on the day that the cash call and profits were announced.

Tha list of new entrants to the USM sees no sign of diminishing, but those companies which have grown to the point where their paper can be used for takeovers and fund-raising should shortly be in a position to leave it. At some point perhaps entry and departure should be in balance.

Ray Maughan

At the USM launch of Pineapple Dance Studios its founder, Debbie Moore, made a personal appearance on the floor of the Stock Exchange

Choppy waters

CONTINUED FROM PREVIOUS PAGE

Methods came to the USM last May with an offer for sale of £4m and a forecast of not less than $4m profit for 1983. By October the company had called a halt to its dealings at 60p, far below the 115p issue price, because its forecast looked beyond reach after half time profits of $140,000.

So Chemical Methods and its advisers, Aitken Hume, called on one of the oldest marketing ploys in the book, though novel enough in the stock market: "If you are not satisfied with the product you can have your mony back." A fine gesture but an expensive one. Apart from the money it returned to investors, the company has shouldered a substantial dividend commitment in order to restore shareholders confidence.

It is clearly not a market for widows and orphans. But what of the four companies which have gone under? Are there any obvious features to be recognised that could act as a rule of thumb guida to avoid the next disaster?

Hesketh Motorcycles was pure venture capital, backing the dream of young Lord Hesketh that Britain could again manufacture powerful motorcycles. It was one of the first 11 companies on the USM, the shares having been traded on the 163 (2) market for some time. The dream ended in a nightmare with the receivers in mid-1982.

Euroflame was perhaps one of the more spectacular failures because it seemed to be ill-fated from the very start. The manufacturer of wood-burning stoves had to delay its USM debut because of an unofficial forecast at its launch press conference.

It came back, with a forecast of £335,000 profit for 1981 against the unofficial one of £450,000. There was in fact a loss of £535,000. The shares were suspended early in 1982 and a Department of Trade inquiry was launched. The receivers finally came in early this year and shareholders can expect nothing in terms of cash.

IoTechnology's sudden death was amazing. A microprocessor manufacturer, the company raised £½m by a share placing in March 1982 only to have its shares suspended in just undar a year. There had been no hint of trouble and the price was 230p, 20p below tha placing price, when a halt was called to dealings. Tha next day the company went into receivership.

Last but not least, Amarican Communications got off to an unhappy start when the underwriters had to take up nearly two-thirds of the issue. In a littla over a year this U.S. film production company's shares were suspended following a run of flops. ACI filed for a Chapter II bankrupcy in the States.

The only lessons are the obvious ones of the dangers of investing in small companies with limited financial support working in untested markets or with highly volatila products. Four companies do not give a working base to establish any real trends. Still, the life of the USM has been a period of economic recovery and bullish stock markets — just wait till tha choppy waters of recession hit some of the USM stocks, which are already sitting in leaky boats.

Terry Garrett looks at the different reactions the market gave to the launch of two computer groups

PROFILE: Acorn Computer Group

Heading for the top division

CAMBRIDGE-BASED Acorn Computer Group epitomises the USM. It has come up from nowhere five years ago to be one of the leading suppliers of microcomputers in the UK. Profits could reach £15m this year and, judged by market capitalisation, Acorn is the largest group on the unlisted market—a growth rate somewhat faster than that of mighty oaks.

The company was started from scratch by Mr Christopher Curry and Austrian-born Dr Hermann Hauser. Curry had worked for Clive Sinclair's Sinclair Research before teaming up with Hauser. Though relationships with industry guru Sinclair are described as cordial the two companies are arch-rivals in the computer field.

Even by the computer industry's standards the rapid expansion of Acorn has been dramatic. The initial phase was a microprocessor consultancy run by the two men called Cambridge Processor Unit. One of the consultancy's early assignments was to iron out problems of an electronic one-armed bandit. That funded the first computer — the Atom, launched in 1978.

Glittering prize

The Atom was aimed at the education market but largely lost out to a rival computer. Nevertheless, the Atom sold fairly well in the more general consumer market. But what really rocketed Acorn into the top division was the BBC's plan to launch an educational series on computers. The BBC wanted a low-cost micro.

After some frantic work the Acorn men designed a micro on paper to meet the BBC's requirements. The glittering prize was theirs, much to the chagrin of some of the competition. The computer hit delays in production start-up but after that initial hiccup demand for the micro outstripped the BBC's forecasts many times. Some 300,000 have been sold to date.

Besides the BBC compiter Acorn was able to get itself listed on the select band of recommended suppliers of micros to schools.

Mr Christopher Curry, co-founder with Dr Hermann Hauser of the Acorn Computer Group

The launch of the shares on the USM last September is part and parcel of the company's expansion plans. Acorn is making the costly entrance into the U.S. market, while at home new products are being launched such as the Electron —a computer aimed towards the bottom end of the market to compete with the likes of Sinclair and Commodore but without the benefit of the BBC link.

The issue was of 11.23m shares by offer for sale by tender at a minimum price of 120p. Yet a stock market concerned by the price war in the sector did not respond with much enthusiasm. The issue was only barely over-subscribed and the striking price was pitched at the minimum of 120p.

Such was the change of mood in the market for high-tech stocks that Acorn's shares were soon trading at a discount to the offer price, hitting a low point of 103p at one stage.

Looking back Christopher Curry says: "We chose about the worse day possible to go public. There were problems for the industry in the U.S. and a series of collapses just as we were coming along. Also the Spurs issue on the same day had greater public visibility, which detracted investor interest.

"I was very disappointed with the response. Perhaps we didn't put the prospectus advertisements in all the papers in a big enough way."

This year, however, the share price has started to show some progress and at the time of writing stands a good 30p above the issue price. Mr Curry adds: "I am quite happy now. While the price of only 10 per cent of the shares didn't affect the viability of the company I was concerned for shareholders, including many employees, some of whom had borrowed money to buy shares."

A full market quote is clearly a target but there is no time scale for the shift as yet.

PROFILE: CPU Computers

Inauspicious start for a fast grower

BRINGING THEIR company, CPU Computers, to the USM should have been a moment of triumph for Tom Fitzpatrick and David Johns. But the moment was short-lived, for the after market in the shares fell dismally short of the issue's striking price. "We were saddened by the thought of all those people. Overnight their investment was down to 87p from 130p," says Tom Fitzpatrick.

Yet CPU was a fast-growing member of the electronics/computer industry, typical of many that have joined the USM and more solid than some. Its inauspicious start as a public company says more about the City than it does about CPU.

CPU was started 10 years ago by Fitzpatrick and Johns who had both previously worked for a California-based mini-computer company, Varian. With £5,000 apiece they formed CPU. From the outset they decided to keep growth limited to the amount they could fund from retained profits. It is only recently that CPU has enjoyed an overdraft facility.

Nevertheless, even if the management says that this approach limited the speed of CPU's development, the end result is hardly that of a sluggard. Up to the quotation last June, sales and profits had expanded by a compound growth rate of 374 per cent and 152 per cent respectively over the previous five years.

The group is now engaged in component distribution of computer peripherals and the manufacture of "octopus" microcomputers, with a base in West Germany as well as the UK.

The main impetus to bring the company to the USM was the realisation that the company needed quoted paper to make acquisitions. By their own determination Fitzpatrick and Johns had become strong cash managers but two small acquisitions in 1982 for cash showed them that if the momentum was to be continued a quote was needed.

Last summer CPU launched itself with an offer for sale by tender of 4½m shares, including 1m of new equity for the company, at a minimum price of 105p. The usual enthusiasm for high-tech surrounded the issue and a striking price of 130p was set by CPU's advisors.

That price was either too high or the after market was badly handled. Anyway, as the stags realised that there were no quick profits to be made they fled taking their losses and dragging down the shares. CPU was also caught by a change of attitude towards the tender system and developing troubles elsewhere in the electronics industry which affected sentiment towards the whole sector.

The message

It has taken six months of trawling around the City to get the message across that CPU is not vulnerable to the vagaries of video games and the like. Now 20 to 30 institutions are on the share register and the price broke through the psychological 130p barrier in January, the first time CPU has seen its striking price.

Analysts are forecasting pre-tax profits of over £2m for the current year against £1.43m and once again Tom Fitzpatrick and David Johns can think in terms of having quality paper to use for acquisitions. Within six to 12 months two sizeable deals could be completed. CPU is talking to three companies, all of which could come to the USM in their own right but which CPU would like to take over.

A full listing could come within a year but the real long-term objective is to become "the second or third largest computer company in this country. Below ICL there are few companies with any significant turnover," according to Fitzpatrick.

Unlisted Securities Market VII

William Dawkins interviews two City professionals who have blazed the trail to USM

Mr David Cohen—"every aspect of the companies we sponsor warts and all"

PROFILE: David Cohen

Detailed research —strict standards

WHEN DAVID COHEN of stockbrokers Simon & Coates brought marine electronics company Oceonics to the USM early in 1982, he was dubbed by one newspaper as "justifiably arrogant."

At that time, the USM was still reeling from a widespread collapse in prices sparked off by doubts expressed by Joe Granville, the Wall Street investment guru, a few months earlier. Cohen had said that the arrival of Oceonics would give the market a badly needed shot in the arm.

Since then, the USM's health has recovered. Oceonics has become one of three Simon & Coates stocks to graduate to a full listing, and its share price has shot from 130p to a peak of 470p last year, since when it has fallen back below 300p.

Issues thesis

Cohen, 42, and his partner Roger Abraham have between them brought 15 mostly high-technology companies to the USM, more than any other brokers in the City. Cohen's interest in bringing new companies to a public quotation began in his mid-20s, when he studied economics and wrote a thesis on new issues at Birmingham University.

He joined Simon & Coates as an electricals analyst, in 1962. "That was in the days when transistors were causing as much excitement as microchips are today," he says. In 1969, at the age of 27, he became one of the youngest ever partners in the firm and now has overall responsibility for corporate finance with Abraham.

Simon & Coates' reputation for bringing high-technology stocks to the USM is partly to do with Cohen's own background, and partly because computers and electricals are the forte of the firm's research department, whose job it is to run a fine toothcomb through every company it plans to sponsor.

"Few new issues coming to the USM can bear the cost of a merchant banker as well as a broker, so that means we have to be especially painstaking," says Cohen. "In particular, we have to understand a company's technology and look at the stage of development it has reached to see whether it is coming to the market on the crest of a wave."

Indeed, Cohen turns away most of the two or three companies a week that approach Simon and Coates for help with a listing. "A lot of them just pop up through another broker," he says.

Once his research team has established in principle whether Simon & Coates should back a USM entrant, Cohen or a colleague will usually spend several days with the company.

"In some cases I go alone, if only to get the feel of the place. That means talking to everybody, even on occasions the secretaries and van drivers," says Cohen.

"We want to know every aspect of the companies we sponsor—warts and all," he says. In keeping with his detailed research approach, Cohen sets strict standards for his USM entrants. He insists that they publish long-form financial reports rather than the skeleton reports permitted for USM companies.

Further, he encourages them to release at least £1m worth of shares or well over £3m if they are coming to the USM via an offer for sale. The main reason for this, he argues, is to ensure a healthy after-market in the shares, so that there is a reasonable chunk of free equity available after the institutions have taken their stakes.

To ensure that investors do not quickly lose interest in a new issue after the first day of trading, Cohen tends to argue for initial prices rather lower than many directors would choose on their own.

"After all, the issue is only the beginning o a company's relationship with the market," he says. "If you have o good Stock Market image from a successful debut, those shareholders will tend to support you when it comes to funding development programmes."

PROFILE: Brian Winterflood

Early leap wins leading place

"WE WERE slightly clutching ot straws at the time. But it just seemed that here was a chance for us to become leaders in a new sector. Thank God we took it."

Brian Winterflood is speaking, of course, of the time three years ago when Bisgood Bishop, the stock-jobbing firm of which he is joint managing director, look its life into its hands and plunged into the uncertain waters of tho Unlisted Securities Market.

Since then, Bisgood has established a niche for itself as the only jobber to make a market in all 210 USM stocks. "And now the sky is literally the limit," says o jovial Winterflood. "I see no reason why thero should not be 1,000 companies on the USM one day."

So what tempted Winterflood to chance his arm in an untried and untested market? "Three years ago we very much concentrated on second-line industrial stocks, and we didn't make a market in gilts. So it seemed rational for us to expand our operations," he explains.

Moreover, the growing frequency with which shares were being traded outside the official Stock Market and the new Conservative Government's pro-small business policies indicated that there was a demand for a new market.

Mr Brian Winterflood—"now the sky is literally the limit"

"I could see that there could be a fair amount of business coming our way—and in the early stages, other jobbers were very apprehensive obont the USM, which made it oll the easier for us," Winterflood says.

Born in Uxbridge, Middlesex, in 1937, Winterflood looked all set to follow his parents into the restaurant trade. Then his Lotin master at Frays College — where Winterflood was not a keen scholar—introduced him to City stockbrokers Greener Dreyfus.

At the age of 16, Winterflood started work as a messenger for Dreyfus—now part of brokers Bekhor Renion — graduating to a bluebutton on the Stock Exchange floor, before leaving for national service in 1955.

A few years after his return to the City, he became a bluebutton for Bisgood in 1960, and was soon appointed as a dealer on the firm's motor book under Jimmy Bisgood, a founding member of the firm, which was established in the early part of this century. Winterflood became a partner in the firm in 1960, and took up his present post in 1981.

"I learned a lot from Jimmy Bisgood," says Winterflood. "He taught me not to get too emotionally involved in any company. That can be disastrous. Of course, you should only trade in something you know about, but you should really trade shares in crude terms as if they were apples and pears. The onus on us is just to make sure that the market is liquid."

What about the future for the USM? Winterflood's chief hobbyhorse is the possible threat from the over-the-counter market. The tax incentives availablo to investors in unquoted companies have inhibited a large number of such businesses traded on tho OTC from joining the USM, he argues.

"There is nothing I would like to see more than the OTC brought under tho Stock Exchange's roof," he says. "All the more business for us."

Unlisted Securities Market VIII

Comparison of the requirements for full listing and for the USM

	Full listing	USM
(a) Entry to market		
Minimum percentage of equity to be held other than by directors and by holders of 5% or more of the shares	25%	10%
Maximum period since date of last audited accounts	6 months	9 months
Special accountants' report on company's record	Required (5 years)	Not required by the Stock Exchange. Required by law, however (5 years if available) where any shares are marketed.
"Comfort letter" from sponsors of the issue confirming the adequacy of the company's working capital	Required	Not required.
Minimum newspaper advertising	May be as much as 2 full prospectuses	1 small box
Initial fees to The Stock Exchange	Scale up to £13,700	Nil
(b) Continuing requirements		
Agreement to be signed	"Listing agreement"	"General Undertaking"
Maximum percentage of existing assets/profits represented by a capital transaction that does not require:		
(1) a circular to shareholders	15%	25%
(2) the agreement of shareholders	25%	100%
Obligation to obtain an accountants' report when an acquisition is being undertaken and (1) or (2) applies	Yes	No
Information in Extel service	Listed (white and yellow cards)	Unlisted (green cards)
Annual fees to The Stock Exchange	Scale from £370 to £2,050	£1,000
Further listings on The Stock Exchange	Scale up to £13,700	Nil

Source: Phillips & Drew

Stock Exchange happy so far

THE STOCK Exchange's Unlisted Securities Market is counted as a remarkable success by the stock market's professionals. Since its formation in November 1980 it has grown from 28 companies to more than 220.

"A robust and somewhat boisterous baby," is how Mr Robin Stormmouth-Darling, joint chairman of the Stock Exchange's quotations committee, summed up the development of the new market, which has attracted considerable enthusiasm from companies and investors in its short period of operation.

Until 1980 deals in the shares of unlisted public companies were undertaken on the Stock Exchange under Rule 163 (2). In that market stockbrokers endeavoured to fund a matching order for the shares, either from among their own clients or through a stockjobber dealing in the shares. Permission had to be sought to transact each bargain.

Apart from the submission of an annual balance sheet and accounts by the broker who submitted the first application to deal, the Stock Exchange Council did not require disclosure by unlisted companies.

As a result dealings under Rule 163 (2) were transacted with less certainty of information. However, protection under the Stock Exchange compensation fund was available to investors on the same terms as for investors in listed securities.

The importance of encouraging the growth of small and medium-sized companies was emphasised in the interim report of the committee led by the then Sir Harold Wilson which reviewed the functioning of financial institutions. That report appeared in the spring of 1978.

The Stock Exchange responded by publicising the arrangements under Rule 163 (2) and relaxed its requirements under this rule. Great interest was shown in this market following the publicity generated by increasing concern was expressed about the dangers which existed unless more effective control was introduced. It became evident that regulation of the emerging unlisted market would have to be introduced without losing the advantages of not being subject to the requirements of a full listing.

In the final report of the Wilson Committee of the summer of 1980 it was said that the regulations for the unlisted securities market should be designed to ensure such disclosure of information and standards of conduct that would enable a fair price to be established without proving unduly burdensome to the companies whose shares were being traded.

From this background the unlisted securities market began life. It provides a public market at reduced compliance cost for the shares of small to medium-sized companies without the need to release more than 10 per cent of the equity capital of the company, while offering most of the advantages of a full stock exchange listing.

Relationship

The most important distinction which exists between a listed company and a company whose shares are dealt in under Rule 163(2) is that a listed company must enter into a formal relationship with the Stock Exchange, under the "listing agreement," which obliges that company to take a more active part in maintaining an informal market in its securities. In return the company obtains access to the stock market and enjoys the status and advantages attached to listing.

In contrast, a company whose shares are dealt in under Rule 163(2) has no formal obligation to the Stock Exchange. It is this lack of accountability which the introduction of the USM has effectively ended for those companies wanting the facility of a public market in their shares without the high compliance costs of a full listing.

The USM is less restricted than the fully listed market. It is nevertheless a properly regulated second tier market. Companies in this market are under an obligation to maintain an informed market in their securities by entering into a formal relationship with the Stock Exchange, known as the "general undertaking," which imposes continuing requirements on the company once it has been accepted into the unlisted securities market. The requirements are similar to those imposed on listed companies by the listing agreement. The Stock Exchange has reimposed its strict regulations on dealings under Rule 163 (2) which are no longer a suitable market for the shares of most companies.

Many of the earlier USM companies which entered this community were converts from the Rule 163 (2) but now there is a regular flow of new entrants. The steady stream of flotations has become a flood in recent weeks and the USM is capitalised at £2.5bn, with over 220 stocks dealt in.

The mix of companies on the USM is different from that to be found on the listed market, where the more established traditional industries have a greater presence. But the range of industries represented on the USM is as wide as that on the listed market, with brewing, property, finance, oil, leisure, printing, advertising, construction, retailing, electrical manufacturing among the interests represented.

The Stock Exchange has little qualms about the regulation of the market despite a small number of failures which have occurred. "The unlisted securities market is as regulated as the listed market," argues Mr Stormmouth-Darling, "only the entry requirements are more relaxed."

The Stock Exchange's objective is to see that companies which come to the USM should eventually upgrade themselves into fully-listed companies on the Stock Exchange. It is happy so far with the number of companies which have made the transition but argues that any upgrading should not be done in under a year.

John Moore

Accountants play an essential part in the financial documentation preparatory to a launch

Lining up the figures

ACCOUNTANTS had the dubious distinction of being rated the most unpopular of business advisers in a survey of USM companies. One in ten companies expressed dissatisfaction with reporting accountants—not for performing their job badly but for being too meticulous.

There were claims that accountants were "frightened to sign any document unless directors had previously signed in blood," according to chartered accountants Spicer & Pegler in their survey "The USM Experience."

Directors who felt they had created a successful and vigorous business through their own acumen often resented the investigations and advice of the accountant, particularly during the preparation for the long form report.

The long form report is usually required by a company's sponsor, unless the shares are being placed by way of an introduction when requirements are less rigorous. It is a detailed financial document which will include information on the history of the company, its activities and management, its financial position and the finances of any subsidiaries.

It is the key document on which sponsors base their assessment of the company and its likely market value. They rely on it for details of management information systems, management structure and succession, for service contracts, pension schemes and benefits in kind.

The long form report is compiled by the reporting accountants, who may or may not be the company's appointed auditor. Often a company brings in a different firm of accountants, usually a better known national firm which the company hopes will add status and market acceptability to its flotation—a viewpoint usually reinforced by the sponsor.

For this reason the list of firms which have acted as reporting accountants to USM issues reveals a great dominance by the Big Eight. It is a matter of some contention with smaller firms which have often been with the company during its formative period and feel they can do the job equally competently.

Sometimes a company retains both firms. Mr Paul Morgan, chairman of Morgan Communications which publishes a number of free newspapers, appointed Ernst & Whinney as joint reporting accountants with its local auditors Sloane Winckless before its recent entry on the USM.

"The local auditors will continue to come in and examine our six monthly accounts after we have gone public," he said.

MAJOR USM REPORTING ACCOUNTANTS*

	Total	Placing	Offer	Intro.
Arthur Andersen	18	9	6	3
Arthur Young	12	9		3
Binder Hamlyn	8	4	2	2
Coopers & Lybrand	10	4	1	5
Ernst and Whinney	14	8		6
Finney Aldfields	4	2		2
Pannell Kerr Forster	5	3		2
Peat Marwick	34	21	5	8
Price Waterhouse	9	4	1	4
Spicer and Pegler	7	5	2	
Stoy Hayward	8	5	1	2
Thompson McLintock	9	3	1	5
Thornton Baker	9	6		3
Touche Ross	17	12	3	2
Deloittes	10	5	2	3
Other	45			
Total entrants	219			

(Including 21 companies who have since left USM)
* Three years to November 11 1983.
Source: Arthur Andersen.

Annan Impey Morrish is an organisation of chartered accountants which has come together to try and overcome the problems of size and limited resources to provide a complete consultancy and audit service.

Mr Peter Hughes, managing partner of the AIM organisation, said: "Our members feel they can often provide a better service to independent local businesses than some of the larger firms. With the backing of the AIM organisation they can undertake detailed reviews of management organisation structure and the adequacy of internal controls and management information."

Determinant

Just under half the companies that have so far come to the USM have made a profits forecast. It is considered helpful to the marketing of the shares and is an important determinant of the share price. Though the forecast is finally the responsibility of the directors, the accountants job is to ensure that it is not unrealistic.

The preparation for "going public" should start long before the appointment of the reporting accountant and sometimes before a sponsor appears on the scene. One of the biggest problems for directors of a private company is overcoming the psychological leap of being accountable to outside shareholders, and facing greater scrutiny of their affairs.

A reorganisation of the capital and shareholdings structure is sometimes needed. Fixed assets and stock needs proper valuation and the funding of pension liabilities has to be arranged. The company also needs to set up adequate internal financial controls and management information systems. These are all matters on which the accountant is often the best source of advice.

The tax consequences of going public are often one of the most important and time-consuming matters for consideration before a quotation. It can sometimes take a couple of years to arrange the tax affairs to the company and owner's family to best advantage.

The USM can allow shareholders to realise gains and losses following a planned tax strategy, taking advantage of the annual Capital Gains Tax, for example. It also has advantages for potential investors.

Outside investors may be eligible for income tax relief for capital losses on unquoted shares. A quotation is a particularly useful opportunity to give key executives a stake in the company's equity. According to chartered accountants Touche Ross, "provided this is properly planned, any profits arising on share realisations should bear Capital Gains Tax only and not income tax."

The larger firms of accountants are turning their attention to the small business sector in a much more determined way because of the growing competition in all areas of their business. They vary in their charging policy. Some apply the same scales across the board. Others tailor their charges to the client—often hoping to gain a greater return on their investment in later years when the company has developed and is able to pay for more extensive services.

Alison Hogan